Compliments of The First National Bank in Minneapolis, Minn.
Correspondent of The National City Bank of New York

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THE NATIONAL CITY BANK OF NEW YORK

1926-27

1926

Economic Conditions
Governmental Finance
United States Securities

New York, January, 1926

General Business Conditions

THE business record of 1925 has justified the favorable expectations generally held at the year's beginning. The common opinion in business circles at that time was that a degree of equilibrium and stability had been attained in our industries which gave promise of a high state of prosperity, probably for some years to come. The volume of trade as measured by such trustworthy indices as the tonnage carried by the railroads and payments through banks, has been the largest ever known.

The increased volume of production has yielded larger net earnings to the industries than in any year since the boom times when the profits proved to be largely illusory. In the first half of the year complaints were common of the absence or meager rate of profits, but corporation reports in the last half have made a good showing. This has been accomplished with little change in the price level. The index number of average prices on over 400 commodities, as calculated by the Bureau of Labor, in November, 1925, was 158 against 157 in December, 1924. The groups classified as "Farm Products," "Cloths and Clothing," "Metals and Metal Products" and "House-furnishing Goods" were slightly lower, while "Fuel and Lighting," due to the anthracite coal strike, "Building Materials" and "Miscellaneous" were slightly higher, and "Chemicals and Drugs" remained unchanged. The average shows a desirable degree of stability, notwithstanding the increased activity in industry and speculation in real estate and the stock market.

The manufacturing industries are generally prosperous. The cotton goods industry, which has been depressed over the last three years by the high cost of its raw materials, is much encouraged by the large crop of cotton. The woolen and worsted industries, although somewhat depressed, are helped by the lower prices of wool which have prevailed throughout the year, although these prices have not been distressingly low to producers. The silk industry has had the largest year's business ever done, and the new rayon industry is growing with great rapidity. Consumers' goods generally are in strong demand, the result of practically full employment for the wage-working population at good wages.

The only serious industrial dispute pending at present is that in the coal industry, although demands for higher wages have been formulated by the railroad brotherhoods and by the building trades in New York City and some other localities. The railroad companies and brotherhoods are working upon a permanent plan for the settlement of their controversies, to be offered to Congress in substitution for the existing Railroad Labor Board.

Construction Work

An important factor in the high state of industrial activity of the past year has been the great volume of building operations. Contracts let in the eleven months including November have exceeded in the amount involved the record for the entire year 1924, which was itself a record year. It is possible that this activity, which has been at a high rate since 1922, may show some decline before another year is passed, but the amount of work in the hands of architects and contractors is greater than at this time last year, which indicates that there will be no sudden slump. Nevertheless, the fact that building operations affect so many industries, and account for so large a share of the payments to labor throughout the country, makes the probability of a decline in its activity a factor of considerable weight, and one which should tend to restrain the over-confident sort of enthusiasm. The chief menace is from the latter.

This is a day of very large industrial enterprises and much construction work in this line is under consideration over the country. Hydro-electric development looms large in this field. The railroads have expended about $750,000,000 upon capital improvements in the past year, although their purchases of equipment have been reduced. The prospects now are that the latter class of expenditures will be larger in the year to come.

The figures for our foreign trade in recent weeks show a decline in the balance in our

favor, due in part to smaller exports of food products and in part to larger imports of raw materials for our industries. It is significant that there is no great showing of growth in the imports of manufactures. Our industries are not menaced by foreign competition. The decline in the trade balance indicates less probability of heavy gold imports, but the net amount of payments running our way is still large enough to cause gold to come in unless we make foreign loans. There is little danger that these will be lacking.

Production and Prices of Iron and Steel

The iron and steel industry is entering 1926 with production schedules on the highest plane ever attained at this time of the year. Ingot output is running at the annual rate of approximately 50,000,000 tons. Mill order books are adequately filled and new business is developing in sufficient volume to maintain the present peak of operations for the first quarter; and there is some ground for expecting that they will continue through most if not all of the first half. Important sources of consumption include the building, automobile, railroad equipment and farm implement industries. Indications are for continued activity for building and the automobile industry for a few months at least. The farm implement outlook is good. Of supreme importance is the evidence that railroad buying will gather momentum in 1926, possibly rising so high as to tend to offset any impending declines in other important consuming groups.

In 1925, aggregate production of ingots and castings was 45,500,000 tons. This was a new high record for all time. It exceeded that for 1924 by 20 per cent and outstripped the previous peak of 45,060,607 tons in the war year of 1917. Pig iron production reached 36,630,000 tons. This was a gain of 18 per cent over the total for 1924, but it was 9 per cent below the 1923 high record.

Prices for iron and steel products culminated a long decline in the Summer of 1925. At the bottom they had fallen to 42 per cent above the 1913 average, as measured by Iron Trade Review's composite market average of 14 iron and steel products. Then the average was the lowest it had been at any time since the aftermath of the 1921 depression. Since Summer, prices have been gradually growing firmer until now they stand at about 49 per cent over 1913. It is notable, however, that there has been no sharp advances in values and the average level is now a shade under its position of one year before. Some automobile and other consumers have covered their requirements for the early Spring months, and consumers in general are evidencing more confidence. However, conservatism is the rule. With ample supplies of steel available, freight service most efficient, and with no combination of factors pointing toward sharp price advances, speculative purchases are improbable.

Non-Ferrous Metals in 1925

The production and consumption of non-ferrous metals in 1925, almost without exception, have been in record-breaking proportions but the trend of values has been irregular with wide swings in the prices. From the opening of the year until April and May there was a general downward movement in metal prices until the accelerated pace of industrial activity caused a recovery which continued through the Autumn. However, reactions again occurred in the latter part of November and December, due primarily to the unsatisfactory condition of trade and finance in Europe.

COPPER—The world's production of copper this year eclipsed all previous records, and domestic consumption was almost in unprecedented volume. Foreign consumption, however, was below normal and this coupled with the large output kept the price at a low level throughout the year. The price at the beginning of the year was 15 cents to 15⅛ cents, by April it had reacted to 13¼ cents, followed by an advance to 14¾ cents in the early Autumn and with a subsequent reaction to 14 cents. The statistical position of copper has improved, stocks of refined metal on November 30th being about half of what they were at the beginning of the year.

TIN—The consumption of tin throughout the world has continued to exceed production, with the result that visible supplies have fallen to the lowest level reached in many years and prices have advanced. The increase in consumption is due to record-breaking production of tin plate, unusually large output of automobiles and to the increase in the use of tin foil as a wrapper for food products. The price fluctuated from 60 cents per pound at the beginning of the year down to 50 cents in April, up to 64½ cents in November and with a slight recession in December. The average price for the year will be about 25 per cent above that of 1924 and higher than at any time since the war.

LEAD—In lead as with copper and tin, production and consumption has unquestionably surpassed all records, due mainly to the enormous expansion in its use for encasing cables and in the manufacture of storage batteries for automobiles and radio sets. The consumption of this metal in the building trades was also the heaviest on record. As far as this country is concerned, the existing resources have been taxed to the utmost to meet the expanding demand and smelters have at no time been able to accumulate much reserve. In the general drop of metal prices in the Spring, lead broke over 2 cents to 7⅝ cents, and in the ensuing

recovery went back to the highest point of the year again. In the last few weeks, however, the American Smelting and Refining Company's price has been reduced from 9¾ cents New York to 9¼ cents. This reduction was due to threatened importations due to weakness in the foreign market.

ZINC—While zinc production this year has been about as heavy as at any time in history, a comparative price showing has been better than that in the other non-ferrous metals of domestic origin in the respect that the closing prices were the best for the year. It closed last week at 8.70 cents East St. Louis, nearly a cent above where it opened the year and practically at the high point of the year. The price declined in the Spring with the other metals reaching a low point of 6.75 cents East St. Louis, from which figure it has recovered approximately 2 cents. The sustaining influences in this metal were the exports of considerable tonnages of slab zinc in the early part of the year and also of zinc ore to Europe, but chiefly the enormous consumption in the galvanizing and brass industry of this country.

ANTIMONY—This metal closely allied with lead, as the principal alloy material, naturally was called for in greater tonnages than ever before with the possible exception of some of the war years. At the opening of the year, the price in New York was 18.00 cents, from which figure it dropped in the Spring to a low point of 11.00 cents when the internecine warfare broke out in China, the world's principal source of supply. In fact, this metal met practically no competition from other parts of the world this year, Europe absorbing its own production. When the Chinese troubles began to restrict production and shipments of the metal, there was a scramble to cover requirements with the result that prices have advanced 100 per cent since the early Summer, the market closing last week at the high point of the year at 22.00 cents.

ALUMINUM—Dr. Robert J. Anderson, consulting metallurgical engineer and statistical expert on aluminum, estimates the world's output of this metal for the year at 400,000,000 pounds, which is the highest so far reached, maintaining the rate of increase it has shown since 1900. Since that time, the output has doubled about every five years over the previous like period. The price was 27 cents per pound for 98-99 per cent throughout the year up to October 22nd when the quotation advanced to 28 cents. Importations are coming from all the other producing countries, Germany, Great Britain, France and Switzerland, but as demand thus far has run ahead of supply, price fluctuations are unimportant. Dr. Anderson predicts that this metal in point of consumption will stand second to copper by 1935 or 1940.

Banking Conditions

The year 1925 was one of pronounced credit expansion, but almost wholly through loans secured by stocks and bonds. The statements of reporting member banks of the Federal Reserve system show an aggregate increase of loans, discounts and investments from $18,581,926,000 on December 17, 1924, to $19,581,359,000 on December 16, 1925, an increase lacking but little of being a round $1,000,000,000. Investments declined from $5,593,005,000 to $5,512,393,000, or by about $80,000,000. This signifies a tendency to dispose of securities which had been bought to employ a surplus of lending power, and turn the credit into ordinary banking uses. Total loans and discounts increased from $12,988,921,000 to $14,068,966,000, or by about $1,080,000,000. Of these loans, those secured by stocks and bonds increased from $4,606,869,000 to $5,511,818,000, or by about $905,000,000, while unsecured loans, in which commercial loans are usually grouped, increased from $8,190,000,000 to $8,388,000,000, or by a little under $200,000,000.

These figures correspond with the well-known facts that there was a great expansion of credit for the purchase of stocks and bonds, and a very moderate increase of the use of credit in regular trade and industry. Although the volume of trade was larger, the hand-to-mouth system generally prevailed and buyers appeared to have become more adept at it. Excellent railroad service has been a factor in keeping down dealers' stocks, and merchants have shown little inclination to anticipate their wants. Moreover, the trade of the country is in stronger hands than formerly, merchants depending less than formerly upon borrowing to supply permanent working capital.

The increase in loans of this character in this representative group of banks has been very small over the last three years, as the following figures for corresponding dates in the several years will show:

December 20, 1922	$7,279,570,000
December 19, 1923	7,900,583,000
December 17, 1924	8,190,603,000
December 16, 1925	8,388,733,000

It is to be considered that there were a good many "frozen credits" following the slump, which have been gradually liquidating, and that this release of funds has been a factor in meeting the expanding demands of the last year or two. The agricultural districts have paid off a good many old debts in the past year or two. The agricultural districts have had a goodly amount of debts to pay, but they were earlier under pressure to liquidate.

Sources of Bank Credit

The supply of bank credit comes from three general sources, to wit, individual savings de-

posits, the growth of working capital in commercial deposits, and the credit advances made by the banks against their lawful reserves. The latter is the element of particular interest as regards the soundness of the credit situation, because therein is registered the expansion or contraction of pure credit. The savings deposits do not represent any inflation, for they simply pass through the bank out into circulation. If the savings depositor invested or loaned his savings for himself the effect upon the volume of credit would be the same as when he elects to have a bank do it. The same is true of the accumulations of working capital by business concerns. But when gold is imported and added to the bank reserves, or when the member banks borrow from the reserve banks to increase their own reserves, a pyramiding of credit takes place. The proceeds of a customer's loan takes the form of a deposit, either in the same bank or other banks, thus enabling other loans to be made, creating more deposits, and so the process goes on until in the United States one dollar of new reserve credit, whether it is a dollar of gold or a dollar borrowed of a reserve bank, is calculated to ultimately support about $10 of bank credit.

The expansion of credit makes money easy, interest rates low, stimulates business activity, and if this expansion is at a rate faster than the growth of industrial capacity and trade, it has the same effect as printing excessive quantities of paper money, i. e., it forces a rise of prices, stimulates speculation and produces all the well-known phenomena of an unhealthful boom. Therefore the outlook regarding an increase of banking reserves is an important factor in attempting to forecast the course of the money market and of prices.

Increase of Reserves Since 1921

From 1921 to the end of 1924 this country received approximately $1,500,000,000 from abroad, which went directly into the banks. It did not, however, all become the basis of credit, because in 1921 the member banks were heavily indebted to the reserve banks and their first desire was to pay off this indebtedness. The low point in this indebtedness was reached in January, 1925, when it was reduced to $202,000,000. During 1925 it was increased to $764,123,000, which was the high point, on December 23. Very likely these figures will decline somewhat in the period of liquidation which usually follows the turn of the year. The increase in rediscounts in 1925 was partly due to an increased demand for credit, but in greater degree due to the fact that exports of gold exceeded imports in 1925.

The banks are loaned up close to the limit under their present reserves, and at first sight it has appeared a little strange that they could increase their loans by a net billion without borrowing more of the reserve banks than they did, but the resulting increase of deposits was largely in the form of time deposits, against which only 3 per cent reserve is required.

Government Debt Reduction

Another influence besides the gold imports has tended to produce monetary ease in our markets over the last four years, and that has been the reduction which has been made in the United States Government's short term obligations. On June 30, 1921, the outstanding amount of such obligations, having two years or less to run, was $7,193,000,000, and on October 31, 1925, this class of indebtedness aggregated only $2,704,000,000, a reduction of $4,489,000,000. While some of this released credit doubtless has gone into securities of longer terms, the presumption is that the investors who sought short-term paper in 1921 have preferred to keep their funds in paper of this class, and that they have been a factor in meeting current demands for short credits.

What of the Coming Year?

The present outlook is for an active demand for credit in 1926, for general business purposes. Trade and industry promises to be at least as good as in 1925, and the trend of prices seems quite as likely to be upward as downward. The stock market gives no signs of releasing credit and may absorb more. Confidence in the strength of the general situation is strong, and that confidence easily may increase the demands for credit.

On the other hand, the country is making capital at a rapid rate, which of course is available for investment. In so far, however, as the demand for bank credit increases, the prospect is that it will be satisfied only at higher interest rates, unless gold begins to flow inward again. As already said, the banks have no unused lending power at this time. There is a great fund of lending power in the reserve banks, and a good many people, both at home and abroad, would like to see it released through the agency of low interest rates, but it is not probable that the reserve authorities will act upon this view. Those reserves were created to be held as reserves, safeguarding the vast volume of credit already in use and the great business interests of the country. The resources of the member banks are sufficient to afford all the credit accommodations which the business of the country requires regularly, and the reserve resources render admirable service in supplying an elastic element which meets the varying seasonal demands and any emergency demand. The reserve authorities have been cautious about taking any action in the past year which might have an adverse effect at home or disturb the international situation,

but it is unlikely that they will allow these resources drawn into any general movement of credit expansion.

Moreover the member banks as a rule are not disposed to carry rediscounts continuously at the reserve banks; their 1920-21 experience has left memories, and certainly they will not increase their rediscounts unless interest rates are higher.

The member banks have another resource upon which they can draw to meet increasing demands for loans, and that is their holdings of securities. They were slightly reduced during the past year, indicating a readiness to convert them into loans if it can be done on advantageous terms. This however will require at least a firm money market.

The prospect for gold imports is hardly as good even as a year ago, for our favorable trade balance shows a tendency to fall off. In the eleven months of 1925 ended with November the excess of exports over imports was $610,000,000 against $868,000,000 in the corresponding months of 1924, a reduction of $258,000,000. Furthermore in the five months beginning with July last the reduction was at a higher rate, owing largely to the reduction of exports of food stuffs and increased cost of imports of raw materials, notably rubber. The other factor affecting the gold situation is foreign loans in this market. If they are as large in 1926 as in 1925 there will be no need for Europe to send us gold.

Public Capital Issues in 1925

The volume of capital issues offered in American markets in 1925 will run around one billion dollars more than in 1924, which year had held the record for all time, if war issues are excepted. Latest figures covering the year ended November 30, 1925, show a total for the period of $7,433,364,453 as compared with $6,327,085,941 for the year 1924. Inasmuch as December financing is running in about the same volume as previous months, the total for the calendar year 1925 will show little variation from the figure for the year ended November 30th. There has been an interesting readjustment in the volume of issues among the different investment groups. The total capital absorbed by the railways in 1924 was $940,296,969 as compared with the total for the year ended November 30, 1925, of only $494,598,730. The public utilities showed a slight increase with capital issues in 1924 totaling $1,529,639,827 as compared with $1,675,776,604 for the year ended November 30, 1925. Foreign government issues will run in approximately the same volume in 1925 as in 1924. The principal increases in capital for domestic purposes were in the real estate, motor accessory and general manufacturing fields, and, for foreign purposes, among the foreign public utilities and industrials. Capital issues for land and buildings in 1924 were $335,501,357 as compared with $738,229,050 for the year ended November 30, 1925, an actual increase of over 100 per cent. Motors and accessories absorbed $56,521,760 in 1924 as compared with $213,378,110 for the year ended November 30, 1925. A large part of the increase in this item, however, was due to issuance of securities in connection with the purchase of the Dodge Motors from the trustees. Foreign corporation borrowings increased from $206,628,750 in 1924 to $388,765,000 for the year ended November 30, 1925. The swelling of this figure was largely the result of borrowings by European public utilities and industrial corporations for working capital and other productive uses.

The following table, prepared from figures furnished by the Commercial and Financial Chronicle, itemizes the flotations in the United States for the twelve months ended November 30, 1925, with the amounts for new capital and for refunding operations listed separately.

FLOTATION OF NEW CAPITAL IN THE UNITED STATES DURING 12 MONTHS ENDED NOVEMBER 30, 1925

	New Capital	Refunding	Total
Railroads	$ 369,745,730	$124,853,000	$ 494,598,730
Public Utilities	1,449,510,304	226,266,300	1,675,776,604
Industrials—			
Iron, Steel, Coal, Copper	194,992,500	21,496,000	216,488,500
Equipment mfrs.	13,840,000	———	13,840,000
Motors & accessories	191,136,721	22,241,389	213,378,110
Other industrials & manufacturing	453,435,108	79,281,400	532,716,508
Oil	147,857,528	114,180,810	262,038,338
Land, buildings, etc.	700,056,050	38,173,000	738,229,050
Rubber	49,485,000	800,000	50,285,000
Shipping	33,604,895	4,315,225	37,920,120
Miscellaneous	336,152,776	21,497,000	357,649,776
Municipal	1,271,779,485	46,156,232	1,317,935,717
Canadian brought out in U. S.	38,658,000	96,797,000	135,455,000
U. S. Territories and possessions	8,815,000	———	8,815,000
Foreign governments	601,781,000	134,600,000	736,381,000
Farm loan issues	127,353,100	19,527,900	146,881,000
Canadian corporations	85,195,000	21,016,000	106,211,000
Other foreign corps.	388,765,000	———	388,765,000
Total	$6,462,163,197	$971,201,256	$7,433,364,453

Foreign Loans

While the total of foreign government issues floated in the United States showed a slight decrease during 1925, the total of foreign issues for all purposes including government, municipal and corporate showed a substantial increase. During most of 1925 an unofficial embargo existed in London against foreign loans from that source, which placed upon the United States an additional financial burden. Now that the embargo has been lifted and London capital is free to flow where it will, there promises to be increased competition for new offerings in international markets. While the high point in the volume of foreign loans offered here seems to have been reached,

the major portion of the world's new capital, during the next few years at least, must come from the United States. It is not unlikely, therefore, that the volume of foreign offerings in this market will hold up well for some time to come. The total of foreign capital issues offered in the United States during 1925 up to December 28th, was about $1,346,000,000 as compared with $1,210,000,000 for the year 1924. Subtracting refunding issues, the net total of foreign borrowings in 1925 will be around $1,194,000,000 as compared with $944,000,000 in 1924. The new loans to Europe in 1925 up to December 28th, were around $680,000,000 as compared with around $520,000,000 in 1924, the increase being accounted for through the borrowings of private corporations, principally public utilities and industries. New loans to Canada exceeded $180,000,000, and to South America were about $175,000,000, part of which, however, went to United States corporations operating in South America.

FOREIGN LOANS FOR THE YEAR 1925

January 1st to December 28th inclusive

Europe

	Principal Amount	Subdivision Total	Grand Total
Government			
Kingdom of Italy	$100,000,000		
Kingdom of Belgium	50,000,000		
Republic of Poland	35,000,000		
Kingdom of Norway	30,000,000		
Kingdom of Denmark	30,000,000		
Czechoslovak Republic	25,000,000		
Republic of Finland	10,000,000	$280,000,000	
State and Provincial			
State of Bremen (2)	15,000,000		
State of Bavaria	15,000,000		
Prov. of Upper Austria	5,000,000		
Saar Basin Cons. Counties	4,000,000		
Free State of Oldenburg	3,000,000	$ 42,000,000	
Municipal			
City of Berlin	15,000,000		
City of Oslo (2)	10,100,000		
City of Cologne	10,000,000		
Hung. Cons. Mun. Loan	10,000,000		
City of Munich	8,700,000		
State of Wurttemberg Cons. Mun. Loan	8,400,000		
Danish Cons. Mun. Loan	7,000,000		
City of Dresden	5,000,000		
City of Frankfort-on-M.	4,000,000		
City of Saarbruecken	3,000,000		
City of Duisburg	3,000,000		
City of Graz	2,500,000		
Ctiy of Dusseldorf	1,750,000		
City of Heidelberg	1,500,000	$ 89,950,000	
Corporate Railroad			
Est.	$ 20,000,000	$ 20,000,000	
Public Utility			
Internatl. Tel. & Tel. Corp. (partly stk.)	46,713,900		
Saxon Public Works	15,000,000		
Rhine-West. Elec. Pr.	10,000,000		
Internatl. Pr. Sec. Corp.	10,000,000		
Westph. U. Elec. Pr. Corp.	7,500,000		
Electric Power Corp., Germany	7,500,000		
Rhine-Main-Danube Corp.	6,000,000		
German Atlantic Cable Co.	4,000,000		
Hamburg Electric	4,000,000		
Tyrol Hydro Elec. Power	3,000,000		
Copenhagen Tel. Co.	2,000,000	$115,713,900	
Industrial			
Cent. Bank for Agr. Germany	25,000,000		
General Elec. Co. Germany (A. E. G.)	20,000,000		
Anglo-Chilean Nit. Co.	16,500.000		
Interntl. Match Co. (Stk.)	15,750,000		
Swedish Am. Inv. Corp.	15,000,000		
Thyseen Iron & St. Wks.	12,000,000		
Siemens&Halske-Siemens Schuckertwerke	10,000,000		
Anglo-Am. Oil Co., Ltd.	8,000,000		
Cunard S. S., Ltd	7,500,000		
Good Hope Steel & Iron Works	7,500,000		
Hamburg American Line	6,500,000		
United Ind. Corp. (Viag)	6,000,000		
Alpine Montan Steel Corp.	5,000,000		
Mtge. Bank of Denmark	5,000,000		
Snia Viscosa (Stk.)	4,842,000		
Sauda Falls Co., Ltd	4,000,000		
Brunner Turb. & Equip.	4,000,000		
Mun Bank, State of Hessen	3,600,000		
Rima Steel Corp.	3,000,000		
Rudolph Karstadt, Inc.	3,000,000		
European Mtge. Inv. Farm Loan	2,400,000		
Burmeister & Wain	2,000,000		
Norwegian Nitrogen Co.	1,800,000		
Crespi Cotton Works	990,000	$189,382,000	
Total Corporate		$325,095,900	
Total European			$ 737,045,900

Latin-America

Government			
Govt. of Argentine (3)	$ 84,700,000		
Republic of Peru	7,500,000		
Republic of Costa Rica	1,460,000		
Republic of Haiti	1,743,000	$ 95,403,000	
State and Provincial			
State of Sao Paulo	15,000,000		
Province of Santa Fe	10,188,000		
Province of Cordoba	5,943,000		
Dept. of Antioquia	3,000,000	$34,131,000	
Municipal			
City of Barrabquilla, Col	500,000	$ 500,000	
Corporate Railroad			
Internatl. R.R. Cent. Am.	2,850,000	$ 2,850,000	
Industrial			
Mortgage Bank of Chile (Govt. Gty.)	20,000,000		
Hershey Chocolate Co.	20,000,000		
Andian Natl. Corp., Ltd.	10,000,000		
Cuba Co.	10,000,000		
Cuyamel Fruit Co.	5,000,000		
Caracas Sugar Co. (Stk.)	2,000,000		
Punta Alegre Sugar Co.	2,000,000		
Sugar Estates of Oriente	1,350,000	$ 70.350,000	
Total Corporate		$ 73,200,000	
Total Latin-American			$ 203,234,000

Asia

Corporate Public Utility			
Tokio Elec. Light Co.	$ 24,000,000		
Toho Elec. Power Co.	15,000,000		
Ojigawa Power Co.	14,000,000		
Great Consol, Elec. Pr. Co., Ltd.	13,500,000		
Dutch Am. Rubber Plant Co. (Stk.)	402,000	$ 66,902,000	
Total Asiatic			$ 66,902,000

Australasia

Government			
Com. of Australia	$ 75,000,000		
Total Australasia			$ 75,000,000

Canada

Government			
Dominion (Ref.)	$ 70,000,000	$ 70,000,000	
Provincial			
Ontario	41,000,000		
Quebec	15,000,000		
Alberta	6,740,000		
Manitoba	5,500,000		
British Columbia	4,000,000		
Nova Scotia	3,500,000		
New Brunswick	3,157,000		
Saskatchewan	2,000,000	$ 80,897,000	
Municipal			
Winnipeg	2,000,000		
Edmonton	500,000	$ 2,500,000	
Corporate Railroad			
Canadian Natl. Rys.	$ 35,000,000	$ 35,000,000	

	Principal Amount	Subdivision Total	Grand Total
Public Utility			
Bell Tel. Co. of Canada	20,000,000		
Montreal Tramways	9,500,000		
Northwestern Util., Ltd.	3,250,000		
Shawinigan W.& Pr. Co.	1,000,000	$ 33,750,000	
Industrial			
International Paper Co.	15,587,000		
FraserCo.,Ltd. (partly stk.)	7,500,000		
Simpson's, Ltd.	5,600,000		
Price Bros., Ltd.	5,000,000		
National Grocers, Ltd. (partly stk.)	3,000,000		
Victoria Lumber & Mfg. Co., Ltd.	1,500,000		
Trent River Text., Ltd.	1,200,000		
Canadian Bakeries, Ltd.	1,000,000		
Moirs, Ltd.	1,000,000		
A. P. W. Pulp & Paper Co., Ltd.	800,000	$42,187,000	
Total Corporate		$110,937,000	
Total Canadian			$ 264,334,000
New Financing—Principal Amount			$1,346,515,900
Refunding			
Dominion of Canada		$ 70,000,000	
Kingdom of Denmark		27,500,000	
Kingdom of Norway		17,534,000	
Bell Telephone Co. of Canada		10,050,000	
Government of Argentina Nation		10,000,000	
Hershey Chocolate Co.		9,731,800	
Republic of Peru		1,600,000	
International Tel. & Tel. Corp.		3,501,600	
International Power Sec. Corp.		2,000,000	
Less Total Refunding			$ 151,917,400
Net New Financing			$1,194,598,500

Foreign loans offered in the United States during the year were in greater variety than ever before and were principally for productive or stabilization purposes. The great need, particularly in Europe, is for an increase in productive capacity, that payment on heavy international obligations may be made in goods and services. By providing additional working capital and otherwise increasing the productive facilities of debtor nations, these loans will help to make effective the refunding agreements on war debts to the United States, terms of which were predicated upon the assumption that productive capacity would increase and with it would come an increased ability to pay.

Bond Prices During the Year

The bond market maintained an even but slightly advancing tendency during most of the year with the high point in prices occurring on June 23rd, when the Dow-Jones averages registered 93.24. There was a slight decline during July, after which the averages remained fairly stationary. Prices month by month ruled uniformly higher than during 1924 as shown by the following chart giving the Dow-Jones averages for 40 listed issues. Averages are given as of the 25th of each month, holidays excepted:

	1924	1925
January 27th	88.30	91.10
February 25th	87.46	91.66
March 25th	88.13	91.33
April 25th	88.14	92.12
May 25th	88.89	93.11
June 25th	90.16	93.08
July 25th	91.11	92.29
August 25th	90.19	91.97
September 25th	90.83	92.24
October 24th	90.84	92.26
November 25th	90.72	92.48
December 24th	90.63	92.95

While the general averages ruled substantially higher than during the year previous, the improvement was not uniform throughout all groups as is evident from the following quotations of 10 representative issues in each principal group given as of December 15th, 1924, and as of December 15th, 1925:

HIGH GRADE MUNICIPALS
(20-year maturity)

	—Dec. 15, 1924—		—Dec. 15, 1925—	
Name	Price	Approximate Yield	Price	Approximate Yield
New York City 4¼s	103⅜	4.00%	101⅜	4.15%
Cleveland, Ohio, 4¼s	102	4.10	101⅜	4.15
Kansas City, Mo., 4½s	105⅜	4.10	104¾	4.15
State of Michigan 4½s	105⅜	4.10	104¾	4.15
State of Missouri 4¼s	101¾	4.12	101⅜	4.15
State of W. Va. 4½s	104	4.20	104	4.20
State of Illinois 4s	97¼	4.20	98	4.15
Detroit, Mich., 4½s	103⅜	4.25	103⅜	4.25
Jersey City, N. J., 4½s	103⅜	4.25	104	4.20
Los Angeles, Cal., 4½s	102⅝	4.30	100⅝	4.45

If December State and Municipal financing for the present year continues at the average for the past three months, the year's total of new issues will closely approximate that of 1924, when about $1,446,000,000 of such bonds were offered. Municipal prices on December 15th, 1925, were on practically the same level as on the same date a year ago. Prices at the year end are showing a firm tendency. There was some uncertainty in municipal markets during part of the year because of proposed changes in the schedule of rates under the new Federal income tax law. While the law has not yet passed both houses of Congress, the new schedules are now pretty well established and investors are freely making commitments.

HIGH GRADE RAILS

		—Dec. 15, '24—		—Dec. 15, '25—	
Name	Maturity	Price	Approx. Yield	Price	Approx. Yield
Atch. General 4s	1995	88¾	4.53%	89¼	4.50%
Balt. & Ohio Gold 4s	1948	86¼	4.99	89	4.79
C. B. & Q. General 4s	1958	88¼	4.69	90⅛	4.57
L. & N. Unif. 4s	1940	92½	4.67	93¼	4.64
N. Y. Central 3½s	1997	76¼	4.67	77¾	4.56
Norfolk & West. 4s	1996	87⅞	4.58	90	4.47
Nor. Pac. Pr. Lien 4s	1997	84⅛	5.15	86	5.03
Penn. Cons. 4½s	1960	98¾	4.07	98¾	4.07
Southern Pac. Ref. 4s	1955	87¾	4.76	88¼	4.70
Union Pac. First 4s	1947	90⅞	4.67	82	4.58

While the average of the railroad bonds of all classes showed a considerable rise during the year, most of the improvement was in the lower grade issues, whose standing is more dependent on current earnings. The high grade issues were on approximately the same level on December 15, 1925, as they were on the same date the year previous. The year 1925 was one of unusual railway prosperity. During the first ten months of the year railway traffic was heavier than during any other equal period in history, and reports for November and December indicate that these months will break all previous records.

PUBLIC UTILITIES

Name	Maturity	—Dec. 15, '24— Price	Approx. Yield	—Dec. 15, '25— Price	Approx. Yield
Tenn. Electric Power 1st & Ref. 6s	1947	99¼	6.06%	102½	5.79%
Brooklyn Edison Gen. 5s	1949	99⅝	5.03	102¼	4.84
Montana Power 1st & Ref. 5s	1943	97	5.26	100	5.00
Consumers Power 1st & Unifying 5s	1952	91¼	5.63	98	5.14
American Tel. & Tel. Collateral Trust 5s	1946	100¾	4.94	101⅛	4.91
Pacific Gas & Elec. Gen. & Ref. 5s	1942	94⅛	5.53	97⅝	5.22
New York Telephone 1st & Gen. 4½s	1939	96¼	4.86	97½	4.74
People's Gas Light & Coke Ref. 5s	1947	94	5.46	99½	5.04
Interboro Rapid Transit 1st & Ref. 5s	1966	69⅜	7.38	67⅝	7.59
United Railway & Elec. 1st Consol. 4s	1949	70¼	6.44	67	6.86

With the rapid development of the public utility industry and the present tendency towards unification into super-power systems for purposes of efficiency, has come a broader public interest in public utility securities than ever before. This has been definitely reflected in the market price on public utility bonds for the year as evidenced by the table above. These issues are fairly representative of the industry and show an almost uniform improvement in price. Such recessions as have occurred in the price of standard outstanding issues are largely the result of special conditions. The legalization of public utility bonds for savings bank investment in many states is one evidence of an increasing public confidence in such investments.

INDUSTRIALS

Name	—Dec. 15, '24— Price	Yield	—Dec. 15, '25— Price	Yield
Illinois Steel Deb. 4½s, due April 1, 1940	93½	5.12%	94⅞	5.01%
U. S. Steel 5s, due April 1, 1963	104	4.86*	105¾	4.76*
Liggett & Myers Tobacco Deb. 5s, due August 1, 1951	98⅛	5.13	100½	4.97
Baldwin Locomotive 5s, due May 1, 1940	103	4.72	104	4.61
American Smelting & Refining 5s, due April 1, 1947	95⅜	5.36	99¾	5.02
Anaconda Copper 1st Consol. 6s, due February 1, 1953	99⅜	6.05	101½	5.89
Willys-Overland 6½s, due September 1, 1933	99¾	6.54	102½	6.09
U. S. Rubber 1st & Ref. 5s, due January 1, 1947	85½	6.22	90½	5.77
International Paper 1st & Ref. 5s, due January 1, 1947	87	6.08	95½	5.36
Humble Oil & Refining Deb. 5½s, due July 15, 1932	99½	5.58	101¼	5.27

*Since a sinking fund is provided sufficient to redeem the entire issue before maturity by call at 110 per cent the yield has been figured on the basis of payment at maturity at 110.

Because of the wide range of activity represented by the single classification "industrials", no list of ten bonds can give a fair cross-section of the group. The list above, however, is representative. While prices of industrial bonds during the year moved in sympathy with long time money rates, the marked rise in price is explainable in part also by the improvement in our industrial position. Industrial earnings for the year have been high and the outlook is bright. Dividends have been initiated or resumed on non-dividend paying stocks and there have likewise been split-ups in many industrial shares. All of this has built a more solid foundation for industrial bonds.

FOREIGN GOVERNMENTS
(Dollar Bonds)

Name	Maturity	—Dec. 15, '24— Price	Approx. Yield	—Dec. 15, '25— Price	Approx. Yield
United Kingdom 5½s	1937	104⅞	4.96%	104¾	4.94%
Netherlands 6s	1954	100⅛	5.99	104	5.71
Switzerland 5½s	1946	100¾	5.39	103⅝	5.20
Denmark 6s	1942	100	6.00	103	5.71
Sweden 5½s	1954	99⅝	5.53	101¼	5.38
Japan 6½s	1954	91⅛	7.21	92⅝	7.09
Germany 7s	1949	95⅛	7.50	101¼	6.97
France 8s	1945	104⅛	7.79	100⅜	8.19
Chile 7s	1942	99½	7.04	100½	6.96
Argentine 6s	1957	95⅜	6.34	96⅛	6.28

The improvement in price of foreign dollar bonds during the year was greater than that in any other investment group and cut down still further the income differential existing between foreign and domestic issues. The year was one of decided improvement in foreign affairs. Refunding agreements were entered into between the United States and several of the heavy debtor countries of Europe; the Locarno peace treaties were signed; the Dawes Plan has begun to demonstrate its effectiveness; several foreign currencies have been stabilized and industrial conditions generally in Europe have shown improvement. The increased public confidence in foreign investments, as evidenced by the trend of prices during the year, is apparently more than justified by events.

The December Bond Market

The year end finds the bond market in a healthy condition with little or no evidence of undigested securities and with prices well up to the June high for the year. The Dow-Jones average for forty listed domestic corporate issues (10 high grade rails, 10 second grade rails, 10 industrials and 10 public utilities) on December 24th was 92.95 as compared with 92.48 on November 25th and 90.63 on December 24th a year ago. During recent years December has usually been a period of market softness because of substantial selling of securities to establish losses for income tax purposes. This year, however, such selling is notably absent except in a few speculative groups and the market in consequence has a firmness unusual for this season. First of the year interest and dividend disbursements will reach the high point for all time and should exert a market stimulus during the early months of 1926. New offerings during the month were well received while old outstanding issues showed an upward tendency. Buying in all groups was well sustained.

Among the principal new offerings for the month, both foreign and domestic, were the following:

$ 9,240,000	**Illinois Central Railroad Co. Equip. Tr. Series "L" 4½s due $616,000 each Oct. 1. from 1926 to 1940, incl., offered at prices to yield 4.50 per cent to 4.75 per cent, according to maturity.**
14,825,000	**City of Los Angeles, Cal., 4½s, and 4¾s, due 1926 to 1965, incl., offered at prices to yield 4.10 per cent to 4.50 per cent.**
21,000,000	**Province of Ontario 4½s, due 1926 to 1955, incl., offered at prices to yield 4.60 per cent to 4.90 per cent.**
10,000,000	**General Electric Co. of Germany 15 yr. Gold S. F. Deb. 6½s, due Dec. 1, 1940, price 94 and int., to yield about 7.16 per cent.**
15,000,000	**Goodyear Tire & Rubber Co. 3 yr. 5 per cent Notes, due December 15, 1928, price 99¼ and int., to yield over 5.25 per cent.**
10,000,000	**International Power Securities Corp. Sec. Series "C" Gold 6½s, due December 1, 1955, price 93¾ and int., to yield 7 per cent.**
18,000,000	**Massachusetts Gas Companies 20 yr. S. F. 5½s, due January 1, 1946, price 98½ and int., to yield about 5⅝ per cent.**
23,900,000	**City of Philadelphia, Pa., 4½s, due December 1, 1975, optional 1945, price 103 and int., yield 4.275 per cent to redeemable date and 4½ per cent thereafter.**
13,410,000	**City of Detroit, Mich., 4s and 4½s, due 1926 to 1955, offered at prices to yield 4 per cent to 4.25 per cent.**
35,000,000	**Federal Land Bank 4½s, due January 1, 1956, price 101¾ and int., to yield about 4.30 per cent.**
15,000,000	**Pan-American Petroleum Co. (of California) 15 yr. 1st Conv. S. F. 6s, due December 15, 1940, price 99 and interest.**
20,125,000	**State of North Carolina 4½s, due 1930 to 1966, incl., offered at prices to yield 4.35 per cent to 4.40 per cent, according to maturity.**
15,000,000	**Swedish American Investment Corp. 6½ per cent Participating Preferred Stock, price $99 per share.**
9,575,000	**New York, Chicago & St. Louis Railroad Co. Ref. Mtg. Series "B" 5½s, due July 1, 1975, price 99 and int., to yield 5.55 per cent.**

The 1925 Stock Market

The 1925 stock market has been the subject of much comment, having been one of the greatest bull markets in history. The volume of trading was greater than in any other year, totaling over 450,000,000 shares, as compared with 282,033,000 in 1924, and 312,875,000 in 1919, the next greatest year.

The upward movement started before the election in 1924, inspired by a growing confidence in the fundamental improvement that was taking place in world affairs and in the belief that this country would have a sound and conservative administration during the four years from March 4, 1925.

The fundamental factor in the rise of stocks was widespread confidence that the country was entering upon a period of prolonged prosperity and that the earnings of great industrial corporations whose stocks are listed on the exchange would increase in substantial manner. There was a general feeling that the time had come for stocks to be valued on a prosperity basis, and for prices to reflect in some degree the fact that the properties which these titles of ownership represent could not be reproduced physically on the present level of construction costs without expenditures vastly greater than the values at which these securities had been selling. It is evident that in the long run this adjustment must be made, because new properties cannot be constructed to compete with those built at pre-war costs, except upon the post-war basis, and the prices of commodities will be fixed in the future by the cost of the new producing capacity.

It is exceedingly difficult to make any comparison of the prices of the general list of stocks with what they were before the war. It is surprising how small is the number of issues which have not undergone changes of some kind which make ready comparisons impracticable. Mergers are the most common source of difficulty. For this reason we do not attempt a comparison with pre-war prices, but content ourselves with a table prepared by the Standard Statistics Company, covering the last two years. This is constructed upon an index number plan, the numbers being based upon 232 active stocks, and showing a composite index for the total.

This index is based on 232 active stocks and shows a composite price for the total, and separate prices for the railroad group and for 26 groups making up the industrial division. Following is a summary of the range during the last two years, with the prices at the close of business December 28, 1925:

COMMON STOCK INDEX NUMBERS BY GROUPS

1924—1925

Standard Statistics Co. Copyright Index

	Group		1925 Range		1924 Range	
		Dec. 28	High	Low	High	Low
232	Stocks	145.7	145.7	114.9	119.4	96.8
201	Industrials	153.2	153.7	119.1	122.7	99.1
31	Rail	127.4	127.4	105.1	112.4	89.6
10	Automobile	159.1	189.2	84.2	84.4	63.0
8	Auto Accessory	288.9	333.1	185.2	187.5	144.9
11	Chain Stores	509.9	509.9	290.6	302.5	168.0
7	Chemical	160.8	160.8	112.2	119.5	90.6
3	Coal	78.8	81.8	63.9	91.9	75.7
12	Copper	109.5	114.2	91.1	110.0	76.8
3	Electric Equip.	252.2	252.2	194.3	194.1	138.5
3	Farm Machinery	137.9	139.6	106.3	112.5	86.4
9	Food	257.0	257.0	222.7	234.5	188.5
5	Leather & Shoe	68.9	74.6	55.7	63.1	45.7
5	Machine Manuf'g	105.2	106.6	82.0	97.2	61.2
3	Mail Order	204.1	204.1	125.9	129.0	63.9
12	Metals (misc.)	128.4	128.4	97.4	111.5	74.9
3	Paper	93.9	98.1	60.2	74.0	55.2
17	Petroleum	117.2	120.0	100.9	109.5	91.4
11	Railroad Equip.	174.3	174.3	147.9	153.8	117.9
3	Shipping	32.7	34.5	25.9	29.1	16.7
9	Steel	111.7	113.1	92.4	102.0	82.0
6	Sugar	60.3	66.6	52.9	74.6	52.8
5	Teleg. & Cable	148.6	150.6	137.2	137.4	124.9
5	Textiles	47.0	55.4	39.0	69.8	48.5
3	Theatre	140.5	152.8	105.1	109.7	74.0
7	Tire and Rubber	64.4	71.0	37.8	38.9	21.5
7	Tobacco	155.8	157.9	118.4	124.6	101.7
16	Trac., Gas & Pwr.	212.9	222.6	167.8	170.8	130.0
18	Misc. (indust.)	201.3	201.3	141.7	147.0	109.5

In constructing this index the mean of the 1917-1921 stock market cycle was taken as 100 in the case of industrials, while for the rails the mean of the high and low made in the ten years 1913-1922 was taken to equal 100, with allowance made for the number of shares of each issue oustanding.

An examination of the above table shows that the average for all stocks on December 28th was 145.7, the high for the year 1925, and represented a gain of 30.8 points from the year's low reached in March. The industrial group is near the year's high reached in November but is 34.1 points above the year's low, while the railroads at 127.4 are at their highest for the year and compare with a low of 105.1 in March.

Large Motor Profits

A further examination of the separate groups making up the industrial division shows that nearly all classes are off from the November peak. The automobile stocks, for example, gained 105 points this year, then lost 36.4 points. The 10 stocks include some that enjoyed unusually large advances, such as Chrysler Corporation, whose stock, issued last Spring in exchange for the old Maxwell Motor Company class "B", sold around 36½ at the beginning of 1925 and soared to 253 by November. General Motors Corporation ranged from 64⅝ to 149¾, Willys-Overland Company 9⅛ to 34⅞, Packard Motor Car Co. 15 to 48½ Mack Trucks, Inc., 117 to 242, and Studebaker Corp. 41¼ to 68⅝.

While there was a great deal of stock speculation in connection with these advances it must be admitted that the record-breaking earnings of the corporations furnished a considerable basis for the advances. General Motors, for example, reported net profits after all expenses, depreciation, interest, taxes, etc., for the first nine months of 1925 as $74,243,966, compared with $37,416,413 for the corresponding period last year, representing earnings for this year's period of $13.27 on the common stock, with a probability that net for the year may reach $100,000,000, or about $20 per share. On September 30th the published balance sheet showed cash of $110,753,219 against $70,205,650 one year previous, and marketable securities of $32,554,901 against only $9,095 in 1924. In November the company declared an extra dividend of $5.00 per share in addition to the regular $1.50 quarterly payment. The Willys-Overland Co. made $13,638,881 profits before taxes in the first nine months of 1925 compared with $2,086,646 for the entire year 1924. Packard in its fiscal year ended August 31, 1925, earned $12,191,081 compared with $4,805,174 in the 1924 year. Mack Trucks made $7,268,653 in nine months of 1925 against $6,220,273 for the full year 1924; and Studebaker made $15,157,226 in nine months of 1925 compared with $13,773,860 for the full year 1924. Hudson in its fiscal year ended November 30, 1925, made net profits of $21,378,504 compared with $8,073,458 in the 1924 year.

Other Industrial Groups

While the advance of the motor and accessory shares was easily the feature of the 1925 stock market, noteworthy advances occurred in numerous other important issues. In the chain store, department store and mail order groups, F. W. Woolworth Co. ranged from 112¼ to 220, United Drug Co. (The Liggett Stores) 110⅞ to 162½, S. S. Kresge Co. 355 to 800, Associated Dry Goods Co. 46½ to 61⅜, Gimbel Brothers 47 to 83, Sears, Roebuck & Co. 147½ to 236½, and Montgomery, Ward & Co. 41 to 84¼. Most concerns in this line did a record volume of business during 1925 and earnings were very satisfactory.

The copper stocks are up considerably from the low for the year and the earnings outlook is very favorable due to the somewhat higher prices prevailing (14.25 cents per pound against an average of 13.16 cents during 1924) and the fact that stocks of copper metal at mines and refineries are the lowest for several years back. Anaconda Copper Mining Co., the leader of this group, which has a controlling interest in Chile Copper Co. and some time ago acquired the American Brass Co. ranged during 1925 from 35¼ to 53¼. The non-ferrous metal companies have also enjoyed a good year. American Smelting & Refining Co. rose from 90⅜ to 139½. International Nickel Co., on which dividends were resumed at $2.00 per share after a lapse since 1919, from 24¼ to 48½, and National Lead Co. from 138½ to 174¾.

Steel and Machinery

The steel group average at 111.7 compares with the year's low of 92.4. United States Steel Corporation common ranged from 112⅜ to 139¼ and closed the year near its high, while Bethlehem Steel Corporation, the next largest producer, which has had large expenditures in rounding out the recent Midvale and Lackawanna mergers, ranged from 37 to 53½, closing the year at about 48.

The manufacturers of heavy machinery, agricultural implements, electrical equipment, and railroad locomotives and cars will, generally speaking, report increased earnings over 1924, although the greatest improvement has come in the agricultural lines, while railroad buying was comparatively light during many months. International Harvester Company ranged from 96⅛ to 138¼, Allis-Chalmers Mfg. Co. 71½ to 97¼, General Electric Co. 227¼ to 337¼, Westinghouse Electric & Mfg. Co. 66¼ to 84, American Locomotive Co. 104½ to 144⅞, Baldwin Locomotive Works 107 to 146, and American Car & Foundry Co. 97½ to 115¾. The phenomenal rise in American Can Co., from 158⅛ to 296, is accounted for by record earnings from the growing use of cans in packing all kinds of fruits and vegetables, and by a consistent policy for many years of paying low dividends and using a great part of the earnings for development. As a result the stock has been split up, giving six $25 shares for each $100 share outstanding.

Foodstuffs, Sugar

The principal advances in the food stocks used in the Standard index were: United Fruit Co. 204⅞ to 246, National Biscuit Co. 65 to 77, California Packing Co. 100½ to 136½, Standard Milling Co. 62 to 88, and Loose-Wiles Biscuit Co. 77 to 143¾. While these companies comprise a variety of different lines it is true of the food group generally that earnings are more stable than in most other lines and that the companies prosper especially during a period of generally good business and even prices.

The sugar stocks were an exception in last year's bull market and displayed weakness almost continuously throughout the year, due to the unprecedented increase in the season's crop, especially in Cuba, where the yield was 5,125,000 long tons, compared with 4,066,642 the previous year, an increase of 25 per cent.

Common stock dividends have been generally suspended in 1925. The stock of Cuba Cane Sugar Corporation, the largest producer, declined from 15⅝ to 7¾, and its 7 per cent cumulative preferred stock on which no dividend has been paid since April, 1921, declined from 62⅝ to 37⅛. Cuban American Sugar Company, the second largest producer, cut its common dividend from $3.00 to $2.00 last August and the stock declined from 33½ to 20. American Sugar Refining Company, which is essentially a refining company rather than a producer, rose from 47⅝ to 77⅝ on increased earnings and a resumption of common dividends, which have not been paid since July, 1921, at 5 per cent.

Petroleum, Rubber and Leather

The oil stocks, like the sugars, were disappointing to their holders during 1925. The 1925 range of leading oil stocks included Standard Oil Co. of New Jersey from 38⅜ to 47½, Standard Oil Co. of California 51½ to 67¼, Texas Co. 42¾ to 54⅜, Sinclair Consolidated Oil Corp. 17 to 24⅞, Pan-American Petroleum & Transport Co. 59½ to 83⅞, and Pure Oil Co. 25⅛ to 33¾.

In the automobile tire industry the sensational advance in the price of crude rubber from below 20 cents per pound to $1.20 during the course of a few months resulted in a large profit from inventory on tires and other rubber goods made from cheap rubber and sold at advanced prices. The industry has for several years been dominated by a few large companies which have more than sufficient plant capacity to supply the entire public demand, and are each interested in maintaining production at the highest figure possible. The real test for the smaller companies will come within the next year or so when they are forced to buy new supplies of crude rubber at prevailing prices and sell tires in competition with the large-scale producers. The rubber shares practically all advanced during 1925, and included the United States Rubber Co. 33½ to 97¼, B. F. Goodrich Co. 36¾ to 74¾, and Fisk Rubber Co. 10½ to 28¾.

We have referred numerous times in this publication to the slow but steady improvement in the leather tanning industry and the satisfactory operations of the large shoe manufacturers making medium priced goods. The securities of this group all rose during 1925, Central Leather Co. ranging from 14¾ to 23⅝, American Hide & Leather Co. 8½ to 14, Brown Shoe Co. 64½ to 157, International Shoe Co. 108 to 199¾, and Endicott-Johnson Corp. 63¾ to 74⅞.

Railroads and Public Utilities

It will be noted that the railroad average of 31 stocks stands at the year's high of 127.4, representing an advance of 22 points, but a few of the individual stocks advanced much more than did others, thereby raising the "average". Some examples are Southern Railway, from 77⅝ to 120, St. Louis-San Francisco 57½ to 102¼, New York, Chicago & St. Louis 118 to 183, Louisville & Nashville 106 to 148, Chesapeake & Ohio 89¼ to 130½, and Atlantic Coast Line 147½ to 268. The railroads established numerous traffic records during 1925 and earnings continue to forge ahead, net operating income from the first ten months of 1925 amounted to $935,047,508. This is at an annual rate of 5.55 per cent on their estimated property valuation for rate-making purposes of $20,500,000,000, compared with 4.97 for the corresponding period last year, or at the rate of 4.83 per cent on their book valuation of approximately 23,600,000,000.

The advance in shares of public utility companies supplying electric light and power, gas, group, according to the Standard index, closed the year 45 points above the low. North American Co. ranged from 41⅛ to 75, Consolidated Gas Co. 74⅛ to 97, Detroit Edison Co. 110 to 159½, Pacific Gas & Electric Co. 102½ to 137⅛, Montana Power Co. 64 to 99¼, and Public Service Corp. of New Jersey 62⅝ to 87⅞.

Agriculture

The relative position of the farmer in the markets has been on the whole maintained in the past year. The wheat producers have not had as large a crop as in 1924, but the price to this time has averaged higher than over the corresponding months of last year. Excluding Russia, the world crops of wheat, oats, rye and barley were considerably larger than in 1924, notwithstanding our own diminished yield. In wheat, the increase in Canada nearly offset the decline in this country, the total production of the two countries

have been 1,124,724,000 bushels in 1924 and 1,091,692,000 bushels in 1925. In Europe the yields of all grains were much better in 1925 than in 1924. In September the talk in European markets was that Russia would have large exports, this opinion being based on selling offers by the Soviet government. Actual exports, however have been small, and the government has since given out word that the crop is not as large as expected. The Russian promises caused European importers to hold off on purchases, depressing prices in all markets, the lowest point on the crop touched at Chicago being $1.32¼ per bushel for the December delivery, reached early in October. At that time the promise in Argentina and Australia was for crops at least as large as the last harvested, but unfavorable weather later reduced them. With these changes in the supply situation, European buyers turned to the United States and Canada, and prices advanced rapidly. The market has been very unsettled for the past month, owing to conflicting report from Argentina, but on December 29 the price at Chicago for the December delivery rose to $1.89. Fortunately, the United States crop has moved slowly, and no very large share of it was sold at the low prices.

Supply and Demand in Wheat

The wheat market has moved naturally, in accordance with the crop news, and the price has induced a large increase in the Fall sowings in the Southwest, although bad weather in the Middle West has caused a reduction there that the total acreage of Fall wheat in the country for 1926 is less than that for 1925.

The situation in the Southwest illustrates the futility of all schemes for fixing prices at some ideal level that will enable producers under all conditions to realize what they consider a "fair" return. A picture of the development going on in that region is afforded by the following extract from a letter received from a responsible business man of Dodge City, Kansas:

A year ago you asked me in regard to the possible expansion of wheat acreage out in this territory. I think I wrote you rather vaguely, but conditions have developed so rapidly in the last year that one can more nearly approximate the possible expansion than could possibly have been done a year ago.

I have recently estimated that winter wheat will, in the next few years, be sown on up to 10 million acres of lands still in sod in Kansas, Oklahoma, Colorado, New Mexico and Texas. This would be equal to adding an entire state like Kansas to the wheat producing areas. I am satisfied that these figures are conservative enough, given increasing business stability.

The factor that has effected this situation is the tractor and the combine. Nowhere else on earth can the great bread staple be produced so cheaply. Hindoo coolies, at three cents a day, and Russian semi-serfs with hand labor cannot compete with a farmer and two boys who, from May to October, with tractor and combine, can grow and harvest five or six hundred acres of wheat, eight to ten thousand bushels, and have time to summer fallow a portion of their acreage and as sidelines get their living from a flock of hens and are raising corn and kaffir, cows and swine to fall back on. The actual labor cost per wheat bushel certainly is less than twenty cents. The land is still cheap and half of it is still sod.

The tractor development is much slower than the automobile, but the new machines are almost fool proof and of course the farmers are year by year more adept with machinery. Many a man has put out 1,000 acres this fall and put it out in the very best conditions that ever was known in the southwest. That is, he has prepared his soil better and of course he will need some help in harvest. Now these facts aren't generally apprehended even by people here. The farmers are finding it out and are picking up the cheap land in the neighborhood so as to give themselves elbow room. Tractor sales in this territory are the largest in the United States and numberless combines will be sold next year.

One young fellow reported to me that for five years his costs, with a harvester thresher, averaged less than 5c per bushel, including labor, gas, oil and repairs. The depreciation and interest charges would not add 5c per bushel more. The tractor also makes it possible for the farmer to conserve moisture in effect summer tilling.

Kansas is pretty well developed, but even southwest of Dodge, in four or five counties, 250 thousand acres of sod have been broken up this last summer.

Is there anything to be done for wheat growers elsewhere, in view of this situation, except to advise them to take account of this development and adapt their policies as may be necessary. Does an export corporation to maintain prices regardless of this development, and sell the surplus abroad below the price at home, seem to be just the thing?

It would be a mistake to assume that the plains region, once the habitat of the prairie dog is now going entirely to wheat. The same informant says:

The possibilities and growth of the entire Southwest is reflected in the expansion in the 14 southwest counties of Kansas in the past twenty years. Figures are based on 1903 to 1925 yields and the 1924 estimates. The current year is not yet available. Population has increased 300 per cent in the 20 years, the smallest figure, assessed valuation 1400 per cent. The farmers have diversified in wonderful fashion and to their great advantage for this is the country of poultry and grain sorghum production, par excellent. The production of swine has increased 400 per cent; the grain sorghums 500 per cent; dairy products 600 per cent; poultry and eggs 700 per cent, and corn, acclimated to our altitude and climate, 1000 per cent. The cattle production, aside from the dairy factor, has not been extinguished. The big herds on the open range are all gone, however, but with the industry last year in the trough of depression, range cattle as against 20 years ago showed gain of 50 per cent. Wheat is at the head of the list with a 1400 per cent production gain. The total 1924 wheat crop value was over 21 million dollars. The value of all other farm crops 18 millions. Nearly 40 millions of farm products, produced by a total population of 64,000, town and country; and on a valuation, in the 14 counties, town, railroad, farm land an equal number of acres of unproductive idle sod, of 150 million dollars.

No wonder the Southwest pays no attention to warnings of a possible over production of wheat. If there is to be over-production, it will be up to somebody else to quit.

The Corn Situation

The Department of Agriculture in its December report upon prices of farm products says:

"Food and fibre crops are faring relatively better in the markets than are the feed crops. Wheat, potatoes,

fruit and cotton, for example ,are selling at price levels relatively above corn, hay, oats and barley. Many corn growers, in particular, are facing an unprofitable outcome on their chief money crop."

This state of facts is the basis of a revival of agitation in behalf of government aid for the farmers. It is announced that something akin to the McNary-Haugen bill, for a government corporation to buy surplus crops at "fair prices" will be offered at Washington.

The explanation of the price situation is simple. The food and fiber crops have a broad market for final consumption, while the feed crops have practically no market except from the feeders of live stock, which means the farmers themselves. The non-agricultural population does not consume corn, oats, hay or barley in quantities to make a market for them. These products must be put into the form of meats and dairy products, or they must be sold to the despised speculator, who does not buy for consumption, but to carry in store until some indefinite time when the ratio between these products which are for human beings, and the products which are food for animals will enable him to sell at a profit. With all the abuse and scorn to which the speculator is subjected, he plays a useful part in bridging over the gap between present supply and anticipated demand. He supplies the capital required and takes all the risk of future conditions. He does not know when the supply of live stock will catch up with the supply of corn; he cannot himself restore the balance; only the farmer can do that. The statistics of the Department of Agriculture indicate that at least another year must pass before the supply of hogs approaches normal, and meantime there may be another big corn crop.

The Hog Situation

Hogs are the principal consumers of corn. Corn and hogs are both required to maintain farming in the Middle West on a satisfactory basis, and they must be provided together and merged in the marketing. The corn crop of 1924 was exceptionally poor, 2,312,745,000 bushels according to the latest official estimate, against an average of 3,009,606,000 bushels over the preceding five years. This shortage upset the regular regime of Middle-West agriculture. Not having the corn with which to make a crop of pigs marketable, the farmers sold their breeding stock along with what corn they had. Now comes a corn crop of 2,900,000,000 bushels, and the principal factor in the corn market is missing.

The Department of Agriculture estimates the number of hogs marketed in 1925 at 10,000,000 less than in 1923 and 3,500,000 less than in 1924, and estimates the pigs farrowed in the corn belt in 1925 at about 46,000,000 head, against 51,000,000 in 1924 and 59,000,000 in 1923. The pig crop in the corn belt in 1925 has been the smallest since 1920. The Department therefore forecasts a diminishing supply of marketable hogs until the pig crop of the Spring of 1926 has been grown for market, and of course this means a relatively small demand for corn in the meantime.

This is the situation which confronts the speculator, who is denounced for not affording the desired relief. A meeting of the National Corn Growers Association held at Des Moines last month adopted a motion to the effect that a fair price for corn would be $1.15 per bushel in Chicago. But corn is not wanted in Chicago, except for distribution back to the farmers who need it for feeding purposes, and it cannot be supposed that anybody in Chicago will buy it at a higher price than the farmers may be reasonably expected to pay some time later, which will depend upon the supply of live stock that the farmers will grow, and finally upon the prices which consumers will be willing to pay for meats in comparison with the prices of other food products. The price of corn is not determined by mass meeting resolutions, nor can it be determined by any combination of producers, unless the producers are able to regulate production, in which case they will have to decide what other and more profitable use can be made of their lands. The complications of the subject show the impracticability of governmental regulation.

Other Factors in the Situation

Another factor in the present situation is that the farmers do not seem to be buying as many steers from the ranges for fattening this winter as usual. Nebraska has 440,000 head of cattle on feed as compared with 500,000 a year ago, according to December estimates of the Federal and State Bureau of Statistics, based on railroad reports of cattle delivered at unloading stations. Iowa is feeding less than last year, and in the aggregate the corn belt States have three per cent less on feed than last year. The Department of Agriculture also reports that fewer sheep and lambs are on feed.

Still another unfavorable factor has existed. Owing to rainy weather in the Fall, corn has been slow in drying into merchantable condition, and much of it has not been suitable for storing or for sale on the grain exchanges. As a result much of the corn sold on local markets has realized less than prices normally related to the prices in the central markets.

Conditions Temporary and Not Fundamental

These conditions are unfortunate and deplorable, but evidently they are temporary and not fundamental. They are not the result of any conspiracy against the farmers or of faults in the marketing methods. They are conditions which are self-corrective, and even now are in

the way of being corrected by natural processes as fast as possible. The canvass recently made by the rural mail carriers at the request of the Department of Agriculture indicates that the number of sows bred to farrow in the Spring of 1926 is 11 per cent larger than the number which actually farrowed in the Spring of 1925, which is an instructive illustration of the way in which natural economic law, when let alone, tends to restore an equilibrium which from any cause has been disturbed.

Loans to Farmers

In the meantime it is evidently desirable that the farmers shall have whatever help is necessary to enable them to hold their corn until there is a better demand. The farmers who are fixed with cribs for carrying it will be able to carry it more economically than anybody else. Moreover, if they are carrying over a lot of corn themselves, naturally they will be more interested in bringing the situation back into the normal state of balance, either by producing less corn or more live-stock, than if they think some outside agency is taking care of the situation for them. The balance can be restored only by their own recognition that the responsibility belongs to them.

A meeting of Corn Belt farmers and bankers was held in Chicago last month to consider what might be done to relieve the situation, and was attended by Secretary Jardine. Arrangements were made to open two new Intermediate banks in Iowa, under the law passed several years ago for the purpose of providing additional credit facilities for agriculture. These banks, however, are by no means the only resource, and replies to a questionnaire recently sent by the Iowa Bankers' Association to its members, indicate a general opinion among bankers that in most localities no additional lending facilities are required.

Mr. George S. Hovey, President of the Interstate National Bank, and also of the Interstate Cattle Loan Company of Kansas, is quoted upon the subject of loans for feeding cattle as follows:

"We have always considered the feed margin a good one. Where a farmer is of good repute and has some collateral in the way of tangible wealth or capital and has plenty of corn or other rough feed, we have for years stood ready to make a loan on his purchase of cattle at the Kansas City stockyards. We reckon the feed margin as forty bushels of corn for full feeding a good steer.

"Where a man is of good repute and has as much as forty-five to fifty bushels of corn per steer which is clear of any obligation or liabilities we will loan up to 100 per cent of the value of his purchase of cattle on the Kansas City market. Where the purchaser has less than the forty bushels of corn to full feed a steer we will make a loan up to 80 per cent of the full cost of that steer on the Kansas City market.

"Our present estimates are that a good 1,000-pound steer will cost 7½c per pound on the Kansas City market. If corn is worth, say 50c a bushel, and the purchaser has from forty-five to fifty bushels of corn per steer clear, we take the basis of forty bushels of that corn, under normal conditions, is required to fit that steer for market, making his feeding and purchase costs total $95, and we feel that when finished on full feed the steer will be well worth that much money at market. So that as a loaning proposition we are in the clear and the farmer has marketed his corn and kept fertility on his land. And we believe that steers at 7½c a pound, which is the average of prices at this market at this time, will if fed on forty bushels of 50c corn bring considerably more than $95 per head."

We understand that the local banks throughout the corn belt are ready to lend money for the feeding of cattle or to enable the farmers to carry their corn, subject of course to the applicants being good credit risks. If there is any scarcity of funds for these purposes an abundance certainly can be had by the local banks from their correspondent banks at the centers, and with the assistance of the reserve banks.

The Conditions Exaggerated

Unquestionably the gravity of the situation has been much exaggerated both as to the immediate conditions and as to their significance regarding the needs of agriculture for governmental aid. The farmers who have adhered to the plan of having both corn and hogs as a regular and balanced system of operations, are not in any trouble. The dairy industry, which buys the feed grains and hay, is profiting by the low prices for them, and the great body of farmers who practice diversified agriculture are in good condition.

Secretary Jardine has given no encouragement to the idea that the remedy for the unbalanced situation in the corn belt lies in a government stabilizing corporation, and the President has been criticized for having in his Chicago address offered "nothing new." The President does not specialize in new economics, and the idea of subsidizing the export of such a low-priced and bulky commodity as corn from the middle-west to Europe probably does not appeal to his practical mind. Corn is exported in small quantities, but the agricultural colleges have been teaching for more than a generation that the cheap and bulky products, upon which freight charges necessarily are a high proportion of the value, should be converted into condensed products, of higher values, close to where they are produced. Furthermore this policy of condensation at home is obsolutely necessary to the preservation of soil fertility.

Agriculture Subject to No Exceptional Conditions

The agitation for some extraordinary action by the Government in behalf of agriculture is based upon the theory that conditions are different in agriculture than in other industries: prices more variable, the business more hazardous, and that other industries have governmental assistance or are able to maintain effective control over prices by trade organizations. This belief is erroneous.

The examples cited, such as the Federal Reserve System for the benefit of banks and the Cummins-Esch act in behalf of the railroads, are not in point, for both of them are simply acts modifying the restrictive policy of the government toward these lines of business. It has been the policy of the government to forbid the issuance of notes by the banks except under regulations which it imposes, and to regulate the charges of railroads for the alleged protection of the public. If the government will take its hands off the banking and railroad businesses entirely, they will get along without asking any aid. If, however, the government persists in regulating them, as it doubtless will, of course it should do so in a practical manner, for the general good. It should not cripple them by regulation.

Even the protective tariff has little analogy to a government export corporation to get rid of surplus crops. It is designed to stimulate and develop home production, relieve the country of dependence upon foreign supplies, and presumably with a view to supplying the home market eventually at a cost no greater than consumers would sustain if they remained dependent upon foreign supplies. The protective policy is justified upon no other basis. On the other hand, the proposed export corporation is to relieve an industry of surplus production, the effect of which must be to encourage more development along that line. The more artificial encouragement is given, the more over-development there will be.

The Proof of Excessive Development

The present situation in the corn belt is not proof of excessive development. There is good reason to believe that the crop of 2,900,000,000 bushels is no greater than the country needs and will utilize at fair prices, when there is normal consumption. Any lowering of prices for meats increases the foreign demand. A statement from the Department of Agriculture which we give elsewhere says that the decline in exports of hog products in the first nine months of 1925 from the exports in the corresponding period of 1923 was equivalent to the 4,000,000 hogs of the average weight slaughtered in 1923. This decline, according to the belief of people in the trade, was due to the rise in the price.

If the production of corn and hogs was in balance, hog values would be somewhat lower and corn values higher. They would stabilize on a level where the profit in converting corn into hogs would be less than 50 per cent, as at present.

If, however, with the feed grains and finished farm products of all kinds in balanced relations, it should be found that the prices of all farm products are too low to afford fair returns in comparison with the returns yielded by other industries, only one conclusion would be possible, to-wit, that there are too many people on the farms and that some of them should shift to the more remunerative industries. This is what some of them will do, without any advice from the government, and it would be a mistake for the government to resort to artificial means to keep them on the farms. Under such conditions they can serve themselves and the country better in other occupations.

The Demand for Food

There is a clear limit to the demand for food supplies. When everybody dependent upon this country's production has enough to eat, there is no occasion to grow more foodstuffs, and if more are grown prices will decline inevitably, unless the government subsidizes production for the sake of supplying foreign consumers at prices below cost.

All of the efforts that are being made at the public expense, through the colleges of agriculture and the various agencies of research and dissemination, to improve the methods of agriculture, have for their purpose an increased production to the average agricultural worker. Why not recognize this purpose, accept the achievement cheerfully, and conform our policies to it?

This certainly does not involve any considerable movement of the farming population. The demand for farm products is increasing constantly with the growth of population. There is gratifying reassurance in the fact that thus far the nation's capacity to produce food has more than kept pace with demand. The marvelous multiplication of industries and diversification of occupations in the last one hundred years are due to the fact that a constantly diminishing proportion of the population is able to supply the required food for all. If we are dissatisfied with this development, and do not regard it as progress, we should stop spending money to promote it.

The Function of Prices

The entire industrial organization is kept in balance by the free play of prices. Prices reflect the relations of the industries to each other, and show where more production is needed in some and less in others. They tend to distribute the workers in the industries as needed.

Prices are not to be quarrelled with or denounced, but respected and obeyed. Always they are telling something that we need to know. The pressure of low prices is a friendly influence, if we take it as such, warning of an unbalanced or uneconomic situation which we need to study. They let us know when competitors are adopting more economical methods; they get us out of ruts, stimulate new

ideas and move us around to our ultimate advantage. Hard times do more for the progress of industry than prosperity.

How many producers in any line would bother to adopt new methods if they were doing well with the old? What reason is there to believe that there would have been any such migration from Europe to America, or movement of settlers into the new wheat region of Kansas, if these people had all been satisfied where they were?

Modern industry is no routine performance; it is always changing, and prices give notice of what is going on.

The world will pay liberally for real service, but a person is not entitled to a "living wage" simply because be works hard. He must work at something worth doing and do it in the right way. Pay is in proportion to values created.

The Play of Supply and Demand in the Markets

A study of any of the commodity markets will show a constant response of prices to the play of supply and demand. Every industrial review tells of the fluctuations. The article which follows, upon the live-stock situation by the Department of Agriculture, will be read with redoubled interest if attention is given to this feature. There is a reason for every fluctuation. The potato market of recent years has furnished striking illustrations. The price movement of every commodity in the list of farm products during the past year is readily accounted for. The histories of rubber, coffee, oil, sugar and other products often named as examples of price-controlled commodities, tell the same story.

One of our correspondents sends us a newspaper article which begins with the following paragraph:

> Every industry is fully organized except our greatest industry, corn. Cotton, sugar, fruit, tobacco, wool and many other agricultural groups are fully organized while corn alone, the one great industry upon which the middle west depends, is left to its own fate and to the merciless dealings of a group of gamblers.

Even a hasty examination of the price-records of the commodities named will show that however the producers may be organized the prices fluctuate like other prices. Cotton sold as high as 25¾ cents per pound in August last and as low as 18 cents within the past month, a drop of about 30 per cent, as the result of a larger crop than was forecast in August. Wool is about 40 per cent lower now than it was one year ago. Sugar at about 2 cents per pound in Cuba is lower relatively than corn is in Iowa, and the beet sugar producers of this country would be as badly off but for the protective duty of 1.76 cents per pound. As for fruit, here is an extract from a report in the government publication, "Crops and Markets," dated December 12, 1925, on California grape shipments:

> By November 1, the markets were weakening rapidly on both juice and table stock. Arrivals at this time of the 800 or 900 cars, which were forwarded daily, produced heavy losses, and the demoralized market gradually cut down shipments that might have continued heavy for at least a week or two longer. The close of the deal was one of the most disastrous ever recorded, when volume of shipments is considered. Probably 15,000 cars were being held on track or were rolling at the time the slump came. Delivered sales, averaging freight costs or less, were common during the first two weeks of November, and this meant a tremendous loss to shippers.

Tobacco is by no means immune from price-fluctuations, and for some kinds the present season has been unsatisfactory. The Federal Reserve Bank of Richmond, in the November issue of its Monthly Review of business conditions in that district, says: "Bright tobacco markets in Virginia opened in October and sold 10,197,129 pounds of producers' tobacco at an average price of $15.77 the hundred pounds, compared with 12,644,687 pounds at an average of $21.68 per hundred sold on the same markets in October, 1924."

Another correspondent writing upon the same subject names the oil industry as blessed with a stability of prices which the Iowa farmer's products do not have. The high and low prices of crude oil in the Mid-Continent field in the last eleven years are given below:

	Per Barrel	
Year.	Highest Price.	Lowest Price.
1915	$1.20	$0.40
1916	1.55	.90
1917	2.00	1.40
1918	2.25	2.00
1919	2.75	2.25
1920	3.50	2.75
1921	3.50	1.00
1922	2.00	1.25
1923	2.00	1.00
1924	1.75	1.00
1925	1.88	1.10

Copper has been selling almost continuously since the war below 1913 prices, and steel is selling at this time at prices which are lower in relation to 1913 prices than the average prices of farm products. If the producers of those commodities are naming the prices to suit themselves, a public testimonial of some kind should be given in recognition of their moderation.

All of this is not to say that farmers' organizations may not render worth-while services in marketing products. No doubt many of them do, but the successful ones ask no government aid and do not attempt the impossible. They recognize economic conditions and work with them.

The Cotton Crop

The cotton crop is an exceedingly important crop, not only because it is the chief source of buying power for a great section of the coun-

try, but because it is the basis of a great section of the textile industry, and chief source of supply of the common material of clothing.

The governments final report on the cotton crop, based upon condition December 1st, estimates the outturn at 15,603,000 500-pound bales, which makes it the largest crop since the war and one of the three largest crops ever grown. The acreage was the largest ever planted, and according to the official calculation 45,945,000 acres were harvested. The ginnings support the estimate, the record to December 13 being 14, 826,452 running bales, excluding lintners, which compares with 12,792,-204 bales ginned to that date last year, when the final estimate of production was 13,627, 936 bales.

The crop passed through many vicissitudes, and never, perhaps, have estimates upon a cotton crop differed so widely. The government's reports have been so seemingly erratic from the viewpoint of the trade, that a great outcry has been raised against semi-monthly estimates in the future, on the ground that they are utterly unreliable and confusing. This may be true and yet the reports be as good as can be made, for conditions change rapidly during the growing season. The best that can be said for government estimates is that estimates are bound to be made, and that the government with the resources at its command should be able to do the task as well as any private agency.

The crop marks another triumph over the boll weevil, and goes far to restore confidence that good yields may be had in spite of the pest, but much depends upon favorable weather. An early start for the plant and as much dry weather as it will stand are the principal factors.

The yield might easily have exceeded the great yield of 1914, with a little more rain in Central Texas and in the Piedmont section of the East. Texas has produced 4,000,000 bales, but is the only State excepting Arizona to produce less than it did last year. Alabama, Mississippi, Louisiana, Arkansas and Oklahoma made the largest gains.

The average farm price on December 1, according to the official calculation, was about 4.4 cents per pound under that of a year ago, with the result that the value of the crop is rated at $120,083,768 less than that of last year, although nearly 2,000,000 bales larger. A lower aggregate value to the producers for a larger yield is not an uncommon phenomenon where the increased yield is large enough to produce a surplus. There is always the question of who will carry the surplus and how long it will have to be carried, and there is some uncertainty as to how many cotton goods the world will buy, for even yet the purchasing power of all peoples has not fully recovered. Although this country is the largest producer of cotton it is not the only producer, and Washington estimates the total world production this year at 28,652,000 bales, against 24,700,000 last year—a big crop everywhere. World consumption last year was 23,-177,000, so there was a surplus from that crop of about 1,600,000 bales.

However, the cotton goods industry is doing better in all countries, and the crux of this situation is whether an increasing demand will offset the increasing supply. The Manchester Guardian, published at the seat of the British industry, predicts the largest consumption of American cotton on record.

Other Farm Products

Other farm products are for the most part on a remunerative basis to producers. The dairy interest, which is the largest of all farm interests, is more prosperous than a year ago, having higher prices for its products and lower prices for feed. The price of butter for much of the past year has been about 10 cents per pound higher than in 1924, and at present is about 5 cents per pound higher. Storage stocks at the beginning of the Winter season were considerably smaller than last year, but production has been running higher, and European prices are lower, so that there is a prospect of importations.

The American Association of Creamery Butter Manufacturers for the week ended December 12 reported the make about 15 per cent higher than for the corresponding week of last year, and the Minnesota Cooperative Creameries, representing 210 plants, reported an increase of 13.19 per cent over last year for the same week. For the previous week the gain was 12.82 per cent. The Department of Agriculture on the pre-war base of 100, rated the price of butter in October at 173 and the price of eggs at 175. Potatoes were rated at 180, and the crop estimated at 346,000,000 bushels, against a five year average of 417,000,000. Rice is estimated at 35,000,000 bushels, against 33,000,000 last year, and is about 1 cent per pound higher than last year. The yield of tobacco of the several classifications is slightly larger than in 1924, but quality and prices vary. In the Maryland, Delaware, Virginia, Kentucky belt conditions are not so good, both production and prices being lower. Brookmire's report says:

Tobacco production has outrun consumptive and export requirements the past several years. Stocks have accumulated and prices on practically all types except dark fired have broken rather sharply. Burley acreage and production was held down in Kentucky this year but prices, have opened up about $1.50 lower than last year's average. In southern and central Virginia prices are down $3.50 to $4.00, having been adversely affected by the large production in the Carolinas and Georgia where there has also been a sharp price slump.

The fruit and vegetable crops have done as well as usual, and are an increasing factor in the aggregate of foodstuffs.

The Pacific coast and inter-mountain regions have had a good year with their crops, excepting sugar beets, which are affected by the big world crop of sugar. Stocks of canned and dried deciduous fruits have been cleaned up at good prices, and the California Fruit Growers' Exchange reports to its members for the year ended October 31, 1925, that it has shown "the greatest returns to California for the citrus fruit crop of any year in the history of the industry." Curiously enough, these extraordinary results were due to the freeze which occurred in December, 1924. The volume of shipments handled by the Exchange (which handled 75.4 per cent of the entire crop) was 16 per cent less than in the preceding year, but the returns f. o. b. California were 39 per cent greater, a striking instance of a smaller yield bringing a larger return, and a demonstration that even with a cooperative marketing organization of the highest class, the relation between supply and demand is the main factor in price.

The Sun Maid Raisin Growers have had a very prosperous year, are in the strongest position in their history, and aside from good management the chief contributing influence of the last year has been the drought, which curtailed the crop and enabled the association to clean up the carry-over. The chief difficulty the cooperators have to contend with is the fact that whatever benefits they confer tend to induce increased production and thus overload the markets.

In Oregon and Washington and throughout Montana, Idaho, Utah and Arizona, general conditions are much better than for recent years.

Live Stock Situation

A few months ago we published an extract from an address by Dr. David Friday, a competent student of agriculture and its economic position, bearing upon the cattle situation. It caused much comment and we have had letters both supporting and criticising its views. In view of the general interest in the cattle industry we have sought to obtain an authoritative statement based upon the latest available data, which is to be found in the census returns of 1925, not yet fully compiled, but in part available at Washington. The article which appears below has been prepared with the approval of the Department of Agriculture by Mr. C. A. Burmeister, who is immediately in charge of live stock market investigations, market movements, methods, etc., and as competent as anyone in the country to analyze the information now made available.

The outstanding fact indicated by the census is that the number of cattle in the country has diminished since the census of 1920, but it is surprising that the decrease is largest in the states where dairying is more important than beef production. The statistics of butter production do not lead to this conclusion, but the explanation may turn out to be that more butter is coming from fewer cows, which would be very satisfactory. Apparently the depletion in the range territory has been less than expected. It is difficult to dispute an actual count, but these figures are perplexing, particularly the increase in beef cows and decrease in dairy cows, which almost offset each other. The tendency to slaughter a larger proportion of the marketings as calves or young cattle is a marked but not unexpected feature.

The diminished movement of feeders to the country, notwithstanding the prospects for a good corn crop has been one of the surprises, and is discussed by Mr. Burmeister in his very informing article. He is a cattleman from Texas, which means that he knows something about the industry.

THE CATTLE AND HOG SITUATION

By C. A. BURMEISTER
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Preliminary returns from the 1925 census for states and counties having 75 per cent of the cattle enumerated in 1920 have been published. These figures indicate a decrease of approximately 5.1 million head or 7.6 per cent in total cattle supplies as compared with the 1920 census. Almost three-fourths of the decrease appears in the 27 states where cattle in 1920 were classed as more than 50 per cent dairy cattle. These states with the exception of Arkansas, Minnesota and Washington are east of the Mississippi river. The decrease in these states is indicated to be 3.7 million head or 12.7 per cent of the 28,779,000 enumerated in 1920. The 21 states where cattle were classed as more than 50 per cent beef cattle in 1920 show a decrease of 1.4 million head or 3.7 per cent of the 37,872,000 they had five years ago. These states with the exception of Florida and West Virginia are west of the Mississippi river.

The decrease appears to be in all classes of cattle except beef cows. A comparison of the figures released for 13 beef cattle states and 16 dairy cattle states follows:

13 Beef Cattle States	1925	1920	Percent inc. or dec.
Beef cows	4,814,680	4,033,950	+19.35
Dairy cows	1,880,941	2,346,340	—19.84
All cows	6,695,621	6,380,290	+ 4.94
Other beef cattle	6,319,406	6,659,447	— 5.11
Other dairy cattle	1,132,560	1,530,872	—26.02
All cattle other than cows	7,451,966	8,190,319	— 9.02
16 Dairy Cattle States			
Beef cows	848,595	638,891	+32.82
Dairy cows	3,665,735	3,970,737	— 7.68
All cows	4,514,330	4,609,628	— 2.07
Other beef cattle	1,360,266	1,723,475	—21.08
Other dairy cattle	1,520,134	2,239,644	—32.13
All cattle other than cows	2,888,400	3,963,119	—27.32

29 States	1925	1920	Percent inc. or dec
Beef cows	5,663,275	4,672,841	+21.20
Dairy cows	5,546,676	6,317,077	—12.20
All cows	11,209,951	10,989,918	+ 2.00
Other beef cattle	7,679,672	8,382,972	— 8.39
Other dairy cattle	2,652,694	3,770,516	—29.65
All cattle other than cows	10,332,366	12,153,438	—14.98
All beef cattle	13,342,947	13,055,763	+ 2.20
All dairy cattle	8,199,370	10,087,593	—18.72

An increase of 990,434 beef cows in the 29 states as compared with a decrease of 770,401 dairy cows would be of striking significance were it not known that the classification of cattle as beef or dairy was left largely to the individual judgment of the enumerators, who probably were influenced by local conditions and sentiment. As an example, 31 per cent of the cows reported milked in eleven states in 1924 were enumerated as "beef" cows. These probably were mostly of dual purpose type, and probably enumerated as dairy cows in 1920.

Dairy production figures indicate that material expansion rather than contraction has taken place in the dairy industry since the 1920 census was taken. Some reduction has occurred in New England and some of the Middle Atlantic States, but more cows are being milked in other important dairy sections.

The fact that the 1925 census shows more cows available for breeding than in 1920 is particularly significant because it indicates that stockmen could respond readily to any increased demand for beef. A decrease in cattle other than cows indicates a reduction in the supply of aged steers and fewer young stock for replacement. Slaughter figures confirm the reduction that has taken place in young stock.

Total federally inspected slaughter of cattle, excluding calves, in the five years preceding the 1925 census (1920-1924) decreased 4.1 million head or 8.6 per cent as compared with the previous five years (1915-1919), whereas calf slaughter increased 6.7 million head or 45.6 per cent. Calves comprised 23.6 per cent of all cattle, including calves, slaughtered under federal inspection in the 1915-19 period and 33 per cent in 1920-24. In 1925 they will represent about 36 per cent of the total Expansion in the dairy industry, of which calves are a by-product, probably accounts for part of the increase in calf slaughter, but there seems to be an increasing tendency to market beef cattle at younger ages. The prices paid for calves suitable for veal have been conducive to early marketing in many sections rather than retaining for the production of beef cattle which do not return a profit. Marketing cattle at younger ages makes possible a more rapid turnover and permits maintaining larger breeding herds. This may account in part for the net increase in number of cows since 1920. Whether the increase in cows will be maintained through 1925 seems doubtful as slaughter records for the first ten months show that 310,000 more cows were slaughtered under federal inspection than in the corresponding period of 1924. This is an increase of 8.6 per cent. Slaughter of steers increased 2.2 per cent and calves 9.3 per cent in the same period.

Fewer Cattle on Feed

Shipments of stocker and feeder cattle from 12 markets from July 1 to December 18 totaled 2,001,211 head as compared with 2,175,225 in the corresponding period of 1924, 2,708,956 in 1923 and 2,883,189 in 1922. The reduced demand for feeders has been rather puzzling in view of the large corn crop and low prices for corn and the fairly high prices for finished cattle. Dry pastures in the early fall and relatively high prices for old corn tended to delay the purchasing of feeders, but the spurt in buying which came later was shortlived. Trade reports indicate that many of the feeders taken to the country have been returned after a short feed.

Department of Agriculture estimates for December 1, show 3 per cent fewer cattle on feed in the Corn Belt States than on December 1, 1924. Corn Belt States west of the Mississippi River show a decrease of about 6 per cent while those east of the River had an increase of over 7 per cent. Increases of 4 per cent in feeding areas of the western states and 19 per cent in the Lancaster, Pa., area also were reported.

A considerable decrease in the percentage of heavy feeders and an increase in the percentage of lighter weights and calves is indicated. The large crop and low price of corn has encouraged feeders to buy light cattle for a longer feed than last season. This would indicate a smaller market supply of fed cattle during the winter and early spring months and a probable increase in supplies during the late spring and summer. Favorable range conditions in Texas and other southwestern states indicate that an early run of fat grass cattle next spring may be expected.

Cattle Prices

Better grade steers were rather plentiful last spring and this tended to hold down prices until the surplus was absorbed about the middle of June. Prices then advanced sharply to levels higher than at any time since 1920. For the first time in several months heavy steers commanded a premium and sold up to $16.35 per 100 pounds at Chicago. A few loads of grass steers sold above $11. These prices stimulated a better feeling in the industry although relatively few steers sold near the top levels. Out of a total of 250,000 cattle received at Chicago in September and 332,000 received in October, less than 7,000 in each month brought $15 or better. In 1924, cattle of the same grade numbered about 19,000 in September and 33,000 in October and prices averaged $11 per 100 pounds or $4 less than in the corresponding months of 1925. Approximately three-fourths of all steers marketed will grade common and medium and these grades brought an average of $7.87 at Chicago in September and October, 1925, as compared with $7.30 in the corresponding months in 1924, an increase of 7.8 per cent.

Reports from slaughterers killing at least 75 per cent of the cattle, excluding calves, slaughtered under federal inspection show their cattle purchases averaged as follows per 100 pounds over the last five years:

	1921	1922	1923	1924	1925
January	...	$5.92	$6.58	$6.65	$6.51
February	...	6.05	6.89	6.67	6.87
March	$7.48	6.82	7.19	7.14	7.67
April	7.20	7.11	7.51	7.57	8.20
May	7.24	7.33	7.82	7.92	8.16
June	6.61	7.37	7.90	7.40	7.86
July	6.71	7.36	7.26	7.19	7.55
August	6.44	6.94	7.03	7.06	6.94
September	6.09	6.53	6.59	6.33	6.86
October	5.43	6.09	6.01	5.75	6.36
November	5.30	5.63	5.64	5.34	...
December	5.75	6.07	6.23	5.66	...

Note: This is based on reports of slaughterers who kill at least 75 per cent of all cattle slaughtered under federal inspection. The average is calculated by dividing total cost by total weight.

Applying these costs to all cattle, excluding calves, slaughtered under federal inspection, killers paid $233,183,000 for 3,382,000,000 pounds of cattle slaughtered in the four months, July to October, 1925, inclusive, as compared with $211,492,000 paid for 3,237,000,000 pounds in the corresponding period of 1924. In other words, the cattle bought in these four months in 1925 averaged $6.89 per 100 pounds as compared with $6.53 in 1924, $6.69 in 1923, and $6.70 in 1922.

It is important to add, however, that while the cattle slaughtered during this period in 1925 cost 5.5 per cent more in the aggregate than those in 1924, their dressing yield was 1.2 per cent less. The total yield of meat was only 36 million pounds greater than in the four months period of 1924, notwithstanding that 145 million pounds more live weight was bought. The lower yield was due in part to the greater proportion of cows purchased. This also was a factor in keeping down the cost of the 1925 purchases. Cows comprised 52.5 per cent of the slaughter in this period in 1925 and 49.2 per cent in 1924.

Grass Cattle

The range country, particularly Kansas, Nebraska, Montana and the Dakotas, sent large numbers of grass cattle to market in the past season, shipments from several states being the largest since 1920. Trade reports indicate that range cotton were in better flesh condition than usual. The better finished heavy grass steers were in good demand to fill the deficiency caused by the shortage in grain-fed stock of similar weights, and for the first time since 1920 sold on a parity with the grain finished kinds. Although shipments were distributed over a longer period than usual their distribution was rather uneven. This resulted in abrupt price fluctuations. Early in October prices of finished cattle turned sharply downward as a result of increased receipts and lower prices for beef. The decline continued throughout November, and the end of the year finds values for the better grades of heavy steers slightly higher than a year ago, better grade light weight steers $1.50 lower and no longer commanding a premium such as they enjoyed in 1924, and all lower grades up from $1.25 to $1.50.

The Hog Situation

Reduction in hog production with increased prices for pork no doubt has been a factor in improvement in cattle prices and as further reduction in hog marketing is anticipated until the fall of 1926, prospects would appear to favor cattle producers from the standpoint of pork competition for at least another year.

The 1925 pig crop in the Corn Belt is indicated to be 46 million head as compared with 51.5 million in 1924 and 59 million in 1923. A survey recently made by the Department of Agriculture indicates only a small increase in the number of sows to farrow next spring in the Corn Belt as compared with the number farrowed in the spring of 1925. It is possible, however, that the comparatively high prices of hogs and the very favorable feeding ratio between hogs and corn will result in a greater increase in the total number finally bred for farrowing next spring than the survey indicated. The reduction in pork supplies for domestic consumption is not likely to be as great as production figures indicate, on account of the big decrease in exports. The decrease in exports of pork products in the first nine months of 1925 as compared with the corresponding period of 1924 is the equivalent of three million hogs of the average weight slaughtered the past four years. Compared with 1923 the decrease is equivalent to four million hogs. With an abundant supply of cheap corn hogs likely will be fed to heavier weights than last year and marketed later. This is already indicated in the decreased market movement during the past two months amounting to almost 33 per cent as compared with the corresponding period of 1924. The year is closing with hog prices about $1 higher than a year ago.

Government Trade Restrictions

The House of Representatives at Washington has adopted a resolution authorizing its Committee on Interstate and Foreign Commerce to conduct an inquiry into the alleged policies of certain countries in officially restricting the production or regulating the prices of rubber, coffee, silk, nitrates, potash, quinine, iodine, tin, sisal, quicksilver, pulp wood and other raw materials and the effects of such policies upon the commerce of this country.

If the effect of this action and of such an inquiry should be to arouse interest in all countries against such practices and to develop a general sentiment in favor of reciprocity and fair trade, the movement would deserve all commendation, but if it should turn out that the effect was simply to produce irritation and furnish the opportunity for a concentration of ill feeling and hostility upon the United States, the results would not be pleasing. The list of commodities is a long one, and as they are produced in many countries, it would seem that a more effective means of increasing our unpopularity over the world hardly could be devised.

In the abstract, opposition to the practices complained of is fundamentally sound. It is right and in the general interest that the people of all countries should have access to the natural resources of the earth, wherever located, upon reasonable terms, in order that these resources, different in character and widely distributed as they are, may supplement each other and together serve the world community. A proposition to which general assent has been given is that every country ought to have access to the sea, and that narrow channels or strips of land connecting seas or continents ought to be subject to the use of all peoples. The International Chamber of Commerce has declared not only against export taxes on raw materials but in favor of equal treatment of domestic and foreign ships in the matters of tonnage, dues, taxes, port charges, tariff charges upon cargoes, etc. Such conditions are conducive to peace and good relations, and to the largest use of the varied resources of the different parts of the earth for the good of all.

When the State of Pennsylvania a few years ago levied a tonnage tax upon anthracite coal produced within its borders a vigorous although ineffective protest was made by other States, on the ground that most of the production was sold outside of Pennsylvania, and that the levy was an interference with interstate commerce. So long as such taxes are no more than a fair equivalent of taxes levied in other forms for the support of state and local governments there is no ground for complaint, but when they indicate a purpose to exploit other communities, protests naturally ensue, whether the commerce is between domestic communities or nations.

The proposition to build up a merchant marine for the United States by means of discriminating duties in favor of imports carried by ships flying our own flag always has had strong support in this country and the merchant marine act which became a law a dozen years or so ago contains a provision for such discrimination. Before that part of the act could be put into effect however, it was necessary to abrogate the existing commercial treaties with other countries and negotiate new ones, a task falling to the Chief Executive and obviously so formidable that no President since the act was passed has attempted its performance. Legislation of that kind invites reprisals, and in the end accomplishes nothing but to create international antagonisms.

If the nations desire in the spirit of the Locarno treaties to put an end to wars they can adopt no more effective policy to that end than by refraining from legislation which directly tends to produce friction and ill-feeling in economic relations.

A Subject for International Conference

No great objection was made to the action of the International Chamber of Commerce, although it cannot be said to have borne much fruit as yet, but these ideas are more likely to be acceptable when set forth as general principles, in the declaration of an international body, and as proposals for reciprocal agreements, than when brought forward as the basis of inquiry and criticism by one country, directed specifically at offending countries. It has been suggested that this is a subject with

which the League of Nations might deal in a general way without offense to any nation, because the action would relate to no particular commodities.

Aside from the advisability of making the subject one of international action, it may be questioned on several grounds whether this is an opportune time for the United States to make an aggressive move of this kind. The United States is very much misunderstood in many parts of the world at this time. It is represented as being aggressive and domineering in spirit and purposes, with inability to see anything but its own side of every case. No matter that this is no more true of the United States than of other countries, it happens that this is the popular idea about the United States at this time.

Our Own Agricultural Agitation

If we want to know the purpose which has prompted the various acts of restriction and price-fixing at which the resolution adopted by the House is directed, we have only to listen to the representatives of our own farmers, who are now pleading with the House itself and the other branches of this Government for the creation of an export corporation, financed from the public Treasury, which shall operate for the purpose of raising the prices of farm products in this country. The fact that the export corporation may be authorized to sell farm products in foreign markets at lower prices than at home, does not make the cases dissimilar. "Dumping" is as much an international offense as price-raising, for nations are even more anxious to protect their producers than their consumers, as legislation constantly testifies.

These nations whom we subject to criticism first and inquiry afterward have been trying to serve the interests of their producers. Coffee is a more important factor in the prosperity and welfare of the people of Brazil than any single product is in this country. It is a highly important factor in the revenues of the national treasury, in the stability of the country's currency and in the purchasing power of its currency abroad.

The following news dispatch is of interest in this connection:

CHICAGO, Dec. 28 (AP).—Farm relief of a substantial nature as a result of the bills before Congress was predicted today by Senator William B. McKinley of Illinois.

"General business is good," he told the University of Michigan Alumni. "The steel mills are running about 85 per cent capacity, and the railroads are having large gross earnings. In this rejoicing, however, we must not overlook the fact that the greater part of our community, the farmers, are not in that prosperous condition."

Sentiment at Washington, the Senator said, was overwhelmingly in favor of doing something for the farmer.

It is impossible to make any distinction between the sentiment which prompts this utterance and that which is behind the actions of the Brazilian and other governments whom we are disposed to criticize.

If we believe that great bodies of our own people are sincere in holding that the Government should help our farmers to realize better prices for their products we cannot deny at least the honesty of purpose of other Governments which take such action. And if they are acting for what they believe to be the best interests of their people and within their international rights, what can we properly do about it, except by friendly negotiation and reciprocal proposals?

Moreover, if we want to know how the countries at whom this investigation is aimed will feel about the resolution ordering it, we have only to consider how the people of this country would feel, if the Congress should respond to the appeals of our farmers, and another nation should call us to account for so doing.

It may be said that the legislation in behalf of government aid so earnestly advocated by American farmers has not been adopted, and may not be. It is obvious, however, that if it fails the reason will not be based on consideration for foreign interests, and we probably would not be deterred by foreign protests. The measure will fail, if it does fail, because in the judgment of the law-making authorities it is an impractical proposal and would not accomplish the desired end.

Restrictive Measures Usually Ineffective

And this suggests another objection to the House resolution. It assumes and suggests that such governmental measures are effective and in that way stimulates and encourages the demands for similar measures here. In fact, there is little reason to question that natural economic laws, given time for operation, will afford relief not only from the conditions which these governmental measures are designed to alleviate, but from the adverse effects of such legislation upon other countries. There is much evidence that such measures do more damage at the breech than at the muzzle. If they have any damaging effects upon other countries it is quite certain that as a general rule they are temporary.

The Rubber Situation

The rubber situation has been sensational, but there is reason to believe that it has been largely a surprise to all parties, and that the remedial forces are at work. The rubber situation cannot be fairly considered without taking account of the fact that on the whole the enterprise which started the plantation rubber industry has not only greatly reduced the price of rubber but developed the only means by which a supply adequate to meet present-day requirements could have been had. There was practically no plantation production prior to 1910 and in that year the price of rubber was double the average price in 1925.

The industry however was over-done for a time, and prices fell to a level relatively as low as any price for farm products of which the American farmer has complained. The price first touched 37 cents per pound in New York in 1919, and this was the lowest price ever known for rubber to that time. By June, 1921, the price was down to 14 cents in New York, and except for temporary rallies the price remained at an unremunerative level until 1925. During this period, naturally, the planting of trees declined, and this is the most serious factor in the situation. We quoted some months ago a statement of Mr. Rutherford, Vice President of the B. F. Goodrich Rubber Company, and President of the Rubber Association of America which is so illuminating that we repeat it herewith:

> The real crisis in the rubber situation will be two or three years hence. The rubber industry for the last five or six years has had a rather difficult time. As a result, rubber planters became greatly discouraged and largely discontinued planting. This has resulted in a temporary shortage in rubber. With the improvement in the rubber situation rubber planters have revived their interest and will now take up planting again. It takes about six years to put a rubber tree in the state of production.

The consumption of rubber has increased rapidly and the adoption of the balloon tire stimulated the natural demand, with the result that the heavy stocks which had hung over the market for several years were exhausted before the changed situation was realized. What happened to prices then always happens in a scarcity.

The Stevenson Plan

The Stevenson plan for restricting exports from the British colonies was adopted in 1922. It does not restrict tree-planting or production, but limits exports to a fixed standard production assigned to each plantation. Under the terms of the plan the permitted exports automatically increase as the price rises, and have increased from 50 per cent of "standard production" one year ago to 85 per cent on November 1st, 1925, and will increase further to 100 per cent on February 1st, 1926.

The pending increase raises the question, What is the difference between "standard production" and actual capacity for production in the British colonies? According to the best information obtainable the two are approximately the same in the aggregate. An American authority in position to be well-informed and whom we can vouch for as trustworthy, but who prefers not to be quoted, has written for us the following answer to an inquiry upon this point:

> There is, of course, no way in which the actual capacity can be foretold, but it may be said generally that standard production has been assessed liberally and that adjustments have been made in it frequently to allow for immature rubber reaching the bearing stage. Taken as a whole, it is likely that the producing capacity of these areas in which production has been restricted is no greater than their assessed standard production. In this connection, however, there is one thing to be noted.
>
> The standard production of plantations has been assessed separately with the result that some plantations having an unusual capacity for production have had assigned to them a standard production which is below their capacity. On the other hand, many plantations are not able to produce the full quantity which has been taken as their standard production. The result is that when the exportable percentage is 100, some plantations could export more than they could produce, while others could not export all they could produce. It is impossible to say what acreage falls in the latter class, but it is not supposed to be large. It is only such plantations as these that will really be restricted after February 1, and it is doubtful if they will not be able to export all they can produce, since the rubber situation is such as to make it impossible for many companies to take advantage of the full producing capacity of their plantations. The real meaning of all this is that restriction will virtually have become non-effective after February 1, although it will not have been suspended or abandoned.

Accepting this statement, it appears that restriction under the Stevenson act probably is nearing its end, although scarcity resulting from the large increase in consumption demands and the further fact that planting was suspended during the period of low prices, may be a serious matter for several years. Planting has been resumed, as Mr. Rutherford says, but five or six years are required to bring young trees into production.

It is not likely that the cost of the Stevenson plan to consumers if spread over the recent years of low prices would make the average any more than fairly compensatory, and if temporarily the British payments upon the American debt are eased off a little, why not consider this a providential adjustment, not requiring an act of Congress, and not out of place in view of the settlements which we are finding it necessary to make with other debtors?

Incidentally it may be added that a considerable percentage of our rubber supplies comes from outside the British colonies, and that there are some American-owned plantations in the East. Therefore all of our consumption is not applicable to the British debt.

In view of the exaggerated figures that have been current as to the increased cost of British rubber to the United States, we give below the official figures for importations of rubber in the 10 months ended with October of 1924 and 1925, and the countries of origin. It will be seen that the increased value is not on account of higher prices alone, but for a larger quantity.

	10 mos. ending Oct. 1924		10 mos. ending Oct. 1925	
	Quantity	Value	Quantity	Value
France	1,522,017	$326,091	2,755,746	$1,190,751
Netherlands	4,181,944	1,066,918	4,077,919	2,598,805
United Kingdom	69,781,061	17,753,073	70,154,209	34,568,211
Canada	120,632	26,841	292,292	110,046
Central America	22,393	2,791	237,316	96,798
Brazil	23,541,145	4,115,640	26,941,014	10,871,394
Peru	817,687	148,260	558,428	223,643
Other S. Amer.	1,560,539	293,378	2,419,717	946,775
Brit. E. Indies	389,566,691	88,872,608	471,234,242	202,885,226
Dutch E. Indies	105,495,072	25,560,305	127,411,244	50,204,380
Other countries	5,019,374	1,116,519	7,488,636	4,681,154
Total	601,628,555	$139,282,414	713,570,763	$308,377,183

The Case Against Restriction

Whether the Stevenson plan continues to effect a restriction of supplies or not, its maintenance in time of scarcity and when prices are much higher than necessary to pay fair returns to producers is inevitably provocative to consumers. They naturally ask why any regulations are imposed if they have no results. The most effective way to prove that the act is no longer restrictive would be to repeal it, and it is evident that much British opinion favors this action.

Indeed, the weight of argument from the standpoint of the British industry would seem to favor it. The British colonies have no monopoly of rubber-growing possibilities, competition is unrestricted elsewhere and rapidly increasing. Moreover, the maintenance of a provision for even nominal restriction in the British colonies is bound to be regarded by the large consuming industries as a menace, and have the effect of prompting them to secure themselves in an independent position for the future. The influence of the act unquestionably is to stimulate development outside the area over which its authority extends.

The worst of all such governmental interference with industry, including the House resolution of inquiry, is that they always occasion a mass of misstatements and unfriendly discussion, and may lead to reprisals or retaliation without end. For example, recent comments in England comparing the effects of rubber restriction to the rise of wheat and cotton prices are not in point. The rise of rubber would be accepted as any incident of the markets if it was clearly not the effect of governmental action. The fluctuations in the price of cotton doubtless have been as disturbing to the British cotton goods industry as the rise of rubber has been to the automobile industry, but the price of cotton has been under no governmental influence. The rise of wheat last year was wholly due to a short crop in Canada coincident with small crops in Europe, and the recent rise of wheat has been due to disappointment regarding the crops in Argentina and Australia. The United States is scarcely a factor in the outside wheat markets this year, the crop being little more than sufficient for domestic consumption, and the domestic price being most of the time above an export basis.

Secretary Hoover Misunderstood

Foreign comments upon the utterances of Secretary Hoover upon this subject commonly refer to the agitation among the farmers of this country for governmental aid, and seem to assume that Mr. Hoover supports it. In this an injustice is done him, for he has consistently opposed such proposals, and has aroused much antagonism in doing so. Moreover, he has distinctly said that he proposed no retaliatory measures, but opposed all restrictive legislation on principle. Upon this point his record is clear. An English journal has sought to convict him of having recommended that the farmers of this country reduce their acreage of wheat in 1919. The recommendation referred to was from the Department of Agriculture, and later events justified it. The acreage of wheat in this country had been greatly increased during the war at the urgent request of the Government, and there was reason to believe that with the war ended and the armies of Europe disbanded, European production would increase. Moreover, there were large stocks in Australia and other countries. In fact the price of wheat fell sharply in 1920, inflicting heavy losses upon the farmers of this country who despite the warning had sown a large acreage in the Fall of 1919.

Secretary Hoover's suggestions as to economies in the rubber industry through the use of reclaimed rubber, etc., and the plans of American manufacturers regarding future supplies under their own control, certainly are legitimate activities, not to be regarded as offensive anywhere.

Foreign Exchanges and Currencies

The rates of the principal foreign exchanges in terms of the United States dollar on December 23, 1924 and December 23, 1925, are given below, in comparison with the par value of the gold units as fixed in the monetary statutes of the countries and unchanged since the war. Canada was but slightly under par a year ago. Great Britain has resumed gold payments and exchange is slightly above the point at which gold can be exported to this country at a profit. The Swiss franc remains at a slight premium, not enough to induce gold imports; the Holland guilder is practically at par, the Swedish krone in like position to the Swiss franc, the Danish and Norwegian, Spanish, Argentine and Japanese currencies have big advances, while the currencies of Belgium, Italy and France have declined, the last named the most seriously.

The table follows:

	Unit Value	Rate in cents Dec. 23, 1925	Rate in cents Dec. 23, 1924	Change from Par	Depreciation
Canada	$1.00	99.93	99.75	—.07	00.07%
Germany	.2382	23.82	23.82	....	....
Italy	.1930	4.04	4.27¾	—15.26	79.07%
Belgium	.1930	4.54	4.98⅛	—14.76	76.48%
France	.1930	3.71	5.38⅛	—15.59	80.78%
England	4.8665	485.00	4.70⅛	—1.65	00.34%
Switzerland	.1930	19.31	19.38	+.01	*00.05%
Holland	.4020	40.20	40.38	....	....
Denmark	.2680	24.83	17.65	—1.97	7.35%
Norway	.2680	20.33	15.06	—6.47	24.14%
Sweden	.2680	26.84	26.96	+.04	*00.15%
Spain	.1930	14.13	13.91	—5.17	26.79%
Argentine	.9648	94.35	89.20	—2.13	2.21%
Japan	.4985	43.12	38.50	—6.73	13.50%

*Above par.